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ABSTRACT

This document reports the oral and written testimony of a large number of witnesses who testified at Congressional hearings in April 1988 on the topic of employment by the year 2000. The four days of hearings were convened to assess the nation's ability to respond adequately to the changes in domestic labor markets, projected employment opportunities, increased international trade competition, and projected skill deficits in the labor force through the year 2000. The testimony showed that this nation must use its collective resources to invest in the technical competency and intellectual capacity of its people. Economists, labor industry experts, academicians, local government officials, and representatives from varied public interest groups had one principal concern: that the employment prospects of a large share of the future labor force are seriously threatened with too few and inadequate training opportunities, a decline in low-skilled jobs, illiteracy, criminal activity, drugs, and a growing underclass. Testimony showed that by the year 2000, the pool of potential workers will be mostly composed of persons who lack basic job readiness skills and meaningful commitments to the labor force. Finally, according to the witnesses, the United States will face an unprecedented sociceconomic challenge. The country must enable itself to step forward toward the cutting edge of technological and economic change. It can do that only with sound investments in education and training. (KC)

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S. Hrg. 100-728

EMPLOYMENT IN THE YEAR 2000: A CANDID LOOK AT OUR FUTURE

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
INVESTMENT, JOBS, AND PRICES

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDREDTH CONGRESS

SECOND SESSION

APRIL 11, 12, 18, AND 19, 1988

Printed for the use of the Joint Economic Committee

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Foreword By Congressman Augustus F. Hawkins, Chairman, Subcommittee on Investment, Jobs, and Prices

In the years ahead quality must be the central goal of our labor force. Workers must be trained and have the skills necessary to produce top-quality goods and services. To borrow a slogan made popular by a leading automobile manufacturer, "quality must come first." But as evidenced in hearings held by the Joint Economic Committee's Subcommittee on Investment, Jobs, and Prices, which I chair, America is not making the serious investments in education, training, and employment initiatives necessary to upgrade and prepare our labor force.

On April 11, 12, 18, 19 of 1988 the Subcommittee held hearings on the topic of "Employment in the Year 2000: A Candid Look at Our Future." The four days of hearings were convened to assess this nation's ability to adequately respond to the changes in domestic labor markets, projected employment opportunities, increased international trade competition, and projected skill deficits in the labor force through the year 2000. The Subcommittee heard testimony from witnesses on what is really happening to America's labor force. Our labor force must be better trained to adapt to projected changes in the types of jobs, and the varied skill demands which new jobs will require. Moreover, the hearings offered an opportunity to focus national policy on the importance of making long-term and lasting investments in our labor force.

The testimony offered during the four days of hearings was quite compelling. By most accounts, this nation must use its collective resources—Federal, State, local, and private—to invest in the technical competency and intellectual capacity of its people. Economists, labor industry experts, academicians, local government officials and representatives from varied public interest groups came before the Subcommittee with one principal concern: that the employment prospects of a large share of the future labor force are seriously threatened with too few and inadequate training opportunities, a decline in low-skilled jobs, illiteracy, criminal activity, drugs, and a growing underclass.

As a longtime participant in the national policy debate on education, training, and employment, I am troubled by the employment forecasts on the labor market prospects into the year 2000. By the 2000, demographics on those entering the labor force indicate that the pool of potential workers will be mostly composed of individuals who lack basic job readiness skills, and meaningful commitments to the labor force.

Domestic labor markets are expected to experience an even greater demand for individuals who are literate, have a greater command of the basic computation and communication skills, and individuals who take personal pride in producing products of quality. Business, corporate, industrial, and governmental entities will be even more reluctant to accept workers who lack a minimum level of skills and productive attitudes. Thus, the projected changes in office technology, industrial automation, and international competition dictate an upgrading in the capabilities and skill competencies of the labor force.

The U.S. Department of Labor in its "Projections 2000" and the Hudson Institute's "Workforce 2000" studies, forecast that the Nation may face a difficult period of adjustment. Should a projected highly unskilled and functionally illiterate labor force be permitted to come to fruition, it will cause a crisis in the American labor force and the economy. These projections could lead to a labor market nightmare, unless targeted, effective, and market oriented investments are made to educate and train America's labor force. The current skills and capabilities of our labor force will fall short of the sophisticated and market-driven challenges of the 21st century.

The Department of Labor's Bureau of Labor Statistics and the Hudson Institute's studies both project the civilian labor force to grow more slowly in the future than it has over the past two decades. This lower growth will be due largely to the fact that fewer persons were born during the 1960's and 1970's. Consequently, fewer persons will reach the age of labor market entry in the coming years.

The studies also indicate that three central trends will continue into the next century. First, manufacturing jobs will be a much smaller share of the U.S. economy in the year 2000 than it is today. Service industries will create most of the wealth over the next 12 years. Second, the labor force will grow slowly, becoming older, more female, and more disadvantaged. Over 15 percent of the new entrants to the labor force over the next 12 years will be native white males, compared to 47 percent currently in that category. Third, the new jobs in service industries will demand much higher skill levels than current jobs. Very few new jobs will be created for those who cannot read, follow directions, and use mathematics. Demographic trends in the labor force, coupled with the higher skill requirements of the economy, will lead to both higher and lower unemployment: more joblessness among the least skilled and less among the most educationally disadvantaged.

Our economic future depends on our ability to educate and train workers who will successfully compete in the global marketplace through the year 2000 and beyond. Certain segments of the population are already being locked out of the marketplace, which demands a skilled and educated labor force. Nonetheless, the best investment we can make now to maintain greater prosperity in the next century is an investment in the education and training of America's labor force. This nation is at a crossroads where it must decide how to meet an unprecedented socioeconomic challenge. This country must enable itself to step forward toward the cutting edge of technological and economic change. America can only do that, and do it successfully with sound investments in education and training.

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EMPLOYMENT IN THE YEAR 2000: A CANDID LOOK AT OUR FUTURE

MONDAY, APRIL 11, 1988

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON INVESTMENT, JOBS, AND PRICES
OF THE JOINT ECONOMIC COMMITTEE,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Present: Representative Hawkins.

Also present: William Harrison and Dayna Hutchings, professional staff members.

OPENING STATEMENT OF REPRESENTATIVE HAWKINS, CHAIRMAN

Representative HAWKINS. The meeting of the Subcommittee on Investment, Jobs, and Prices of the Joint Economic Committee is called to order. This morning we are delighted to welcome a distinguished group of witnesses and to welcome our friend, the leadoff witness, Mrs. Norwood.

The Joint Economic Committee through the subcommittee is opening this 4-day series of hearings on Employment in the Year 2000: A Candid Look at Our Future.

As chairman of the subcommittee and chairman of the Education and Labor Committee of the House of Representatives, I am most interested in what the Nation must do to ensure that its citizens are educated, trained, and sufficiently competent to perform jobs created in the economy into the 21st Century.

Our economic future depends on its ability to educate and train workers who will successfully compete in the global marketplace of the next century. Thus, the best investment we can make now to ensure a more prosperous and equitable America is an investment in its people. The Nation is at a crossroads where it must decide how to meet an unprecedented socioeconomic challenge. What it decides to do will strongly affect its future. We might well say that its future depends on its children and how it develops the human capital of these children.

This morning our panelists will focus on domestic and international labor force trends as projected into the year 2000. A number of basic trends are shifting the global structure of employment. The most fundamental of these are demographics and labor market changes, increased internationalization of trade and labor, and the spread of technological innovations, especially the new information technologies.

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Depending on what happens to immigration, technological change, education and training of existing workers, and most important, to economic growth, labor markets are likely to be tighter. There will be greater shortages of skilled and educated workers than during the 1970's, while unskilled, uneducated and dislocated workers will have more difficulty finding employment.

We are very, very pleased to have as the first witness Mrs. Janet Norwood, Commissioner of Labor Statistics. Following Commissioner Norwood, we will then call on a group of distinguished panelists.

May the Chair indicate that we have suggested to the witnesses that we confine the formal presentation to 10 minutes so as to allow time for questioning. We will obviously include in the official record all of the testimony presented.

At this time the Chair certainly would like to commend the witnesses, all of whom have complied with the request. We have the documents available to us, which is somewhat unusual.

With that, may I, therefore, turn to Mrs. Norwood. Mrs. Norwood, we are very delighted to have you this morning. May I say that these hearings are very informal. We are here to learn from each other and we hope that we will not in any way get into any conflicts in terms of statements. Insofar as the Chair envisions the hearings, they will develop some new ideas, some innovations, and will obviously provide for the committee some most important documentation of facts.

Mrs. Norwood, you may proceed.

STATEMENT OF HON. JANET L. NORWOOD, COMMISSIONER, BUREAU OF LABOR STATISTICS, DEPARTMENT OF LABOR

Mrs. NORWOOD. Thank you very much, Mr. Chairman. I have been asked to talk a little bit about the current employment situation and then the future as we see it, as well as something on the state of our labor market data.

Employment growth has been very strong during the past 5 years. More than 15 million jobs have been added and the proportion of Americans with jobs is higher than ever before.

About four-fifths of the jobs created during the current expansion period have come from service-producing industries. We have also seen some encouraging increases in factory jobs, especially in the last year.

Although more than 400,000 factory jobs were added since last March, the manufacturing industry, however, has still not recouped all of the jobs lost during the 1981-82 recession.

I think it is important to recognize that most of the new jobs, over 90 percent of them, have been full-time jobs, and a large part of them have been in managerial, professional, administrative, or technical occupations. In general, these jobs use many of our cognitive abilities and require at least some training and education.

As a result of this strong job growth, unemployment has dropped markedly, from 10.8 percent at the recession trough to 5.6 percent in March of this year.

At the same time productivity, especially in manufacturing, has grown sharply, and the rate of inflation has decelerated substantially.

We have made a great deal of progress. But our data show that we still have a number of labor market-related problems. The black population has jobless rates that are more than twice the rate for whites. The rate for black teenagers, although lower than a few years ago, still fluctuates around 35 percent. The rate for the fast growing Hispanic labor force continues to hover around 8 percent, somewhat higher than the rate for the white population.

We still have about a million workers who are too discouraged to look for work. This group is disproportionately black and female.

About 800,000 people are among the long-term unemployed; that is, those without work for 6 months or more. And of those working, there remain 5.5 million who are working part time because they cannot find full-time work. The number in this group has declined sharply since 1982. Actually by 43 percent. But the group is still quite large by historical standards.

Thus, while the overall labor market data present a very favorable picture, some groups of the population continue to have problems. I believe we need to keep these problem areas in mind when we look toward the future.

The BLS has recently released projections of the work force to the year 2000, and I believe that those data can be useful to you, Mr. Chairman, who must make the policy decisions that will affect the future of the labor market.

We expect the restructuring of our industry will continue with most growth in jobs in the service-producing sector.

It seems to me, however, that the manner in which we handle the problems involved in the differences in labor force growth and composition will have an even more important effect on our success in the labor market.

The most obvious change is in the trend of labor force growth. The labor force will grow much more slowly in the future than it has in the past. In fact, that slowing has already begun. The baby boom generation which followed World War II has grown up. The decline in birth rates which followed that period means that few youngsters will be growing up to enter the labor force in the coming few years. This means that there will be less upward pressure on the unemployment rate in the future since teenagers always have higher unemployment rates than older workers.

Because fewer young people will enter the labor force, the average age of the work force will be higher than it has been in the past. There will be fewer teenagers to take the jobs in fast food restaurants and retail trade, and employers in those industries will have to reorient their recruitment efforts. There will be a larger supply of mature aged workers, especially in the 25-to-40-year age groups, and consequently more competition for jobs among them.

Women have increased their labor force participation rates in each of the last few decades, and we expect them to continue to enter the labor force in large numbers in the future. This means that the issues of work and the family, especially child care and perhaps elder care, will become even more important in the future as a workplace issue than they have in the past.

It also seems clear that minority workers will make up a larger proportion of the work force in the future than they have in the past. These are the workers who in the past have always had a difficult time in the labor market. They frequently are concentrated in central cities some distance away from the areas where job growth is the strongest.

And they frequently have not had the advantages of good schooling. We know that the jobs of the future will require more training than those of the past.

Mr. Chairman, your staff asked me for an evaluation of the current labor market data system. I would be glad to discuss that in more detail in the question period, should you desire. Let me just say to you that I believe we have a very good data system. Compared to the data of other countries it is superb. But I am never satisfied. All that we have could be better. We are working very hard on improvements at BLS to incorporate new technology, new methods, and to continue to examine the changes that are needed to keep our data relevant to current economic and social conditions.

I think there are a few obvious areas for us to concentrate on. The minority population continues to have trouble in the labor market, and our samples are too small to develop data for them with the accuracy that I believe they deserve.

We are working hard to expand our plant closing survey to all States and hope soon to be able to follow those affected by mass layoffs, at least while they are in the unemployment insurance system. We need to know more about those workers who have dropped off of the unemployment insurance rolls, the really long-term unemployed.

Labor market developments are more intense at the local level, but our statistics are better at the national level. Unfortunately, local area data are difficult to collect and extremely expensive. In this period of declining budgets we have been forced to cut back on some local area data.

We have begun a planning effort with the Census Bureau to improve and expand the labor force survey. We are hard at work on modernizing our business survey. We are testing new methods for collecting and expanding our wage and compensation surveys, as well as to gather more meaningful data on the safety and health of our workplaces.

I can assure you, Mr. Chairman, that as these plans develop you certainly will be hearing from me about them. I would be glad to answer any questions you may have.

[The prepared statement of Mrs. Norwood follows:]

PREPARED STATEMENT OF HON. JANET L. NORWOOD

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before the Subcommittee to discuss the recent trends in employment and unemployment, to take a glance at the future, and to examine the adequacy of our labor force statistics.

The wild swings in the financial markets late last year and the uncertainties they created about the future course of the economy have focused new attention on our monthly data on employment and unemployment. These data are now even more eagerly anticipated and carefully scrutinized to see what they might portend about economic trends. It is thus useful to pause not only to see what the data have been telling us recently but to also examine their reliability and relevance in a gradually changing economic environment.

With this in mind, I would like to start by briefly reviewing the recent trends in employment and unemployment, the current situation, and what we now know about the future. I would then like to discuss some of the limitations of the data and our plans for overcoming them.

Recent trends

The past 5 years have been a period of very rapid growth in employment in the United States. Since late 1982, when the economy began its recovery from the second of the two recessions with which we opened the 1980 decade, employment has grown by 15 million. Even over the most recent 12 months, employment growth has been vigorous, totaling about 3 million.

With this rapid growth, the proportion of Americans with jobs is now higher than ever. The employment/population ratio for civilians 16 years of age and over was 62 percent in March, 5 percentage points higher than it was at the end of 1982. Although the proportion of men with jobs has only rebounded from its recessionary drop, the percentage of women working outside the home has continued to rise at a rapid pace. Among women 20 years and over, the proportion with jobs now approaches 54 percent, up from 48 percent at the end of 1982.

As has been widely discussed, most of the new job growth has occurred in the service sector of the economy. Since late 1982, the service-providing industries have accounted for about four-fifths of the total growth in employment. We had also recently seen some encouraging increases in manufacturing employment, but the number of factory jobs is still 1.7 million below its 1979 peak.

One thing that is important to note is that the vast majority of the jobs added since 1982 -- over 90 percent --

have been full-time jobs (that is, jobs with work schedules of 35 or more hours a week). Moreover, a large proportion of the new employees have gone into managerial, professional, administrative, or technical occupations.

These rapid increases in employment have been translated into significant declines in unemployment. Since the end of 1982, the number of unemployed persons has declined from about 12 million to under 7 million. And the unemployment rate (for all civilian workers) has declined from a peak of 10.8 to the present 5.6 percent.

Of course, this does not mean that all is well. The unemployment rates for some groups are still very high. The rate for blacks, for example, is still above 12 percent, and that for black teenagers, although much lower than it was a couple of years ago, is still fluctuating around 35 percent. And the unemployment rate for Hispanics (about 8 percent), while not nearly as high as that for blacks, is substantially above the national average.

The number of persons who, although employed, are involuntarily limited to part-time work, has declined substantially from the cyclical peaks of a few years ago. Nevertheless, it is still very high by historical standards -- about 5-1/2 million. There are also 1 million discouraged workers -- persons who want jobs but are not actively seeking work because they think their search would be in vain. Their number has also declined sharply (by 43 percent) since 1982.

In sum, while the overall current labor market figures are quite favorable, some groups in our population continue to experience labor market problems.

Future trends

Speculating about the future is a very risky business. This is particularly the case with regard to the direction of the economy -- with its obvious impact on employment and unemployment -- over the very short term. The Bureau of Labor Statistics scrupulously avoids short-term forecasts. We do, however, make long-range projections. Setting forth the assumptions which drive the figures, we make projections extending 10 or 15 years into the future, our most recent being to the year 2000.

This work starts with projection of the labor force and basic economic trends and then develops estimates of industry employment and occupational demand. Although speculative in some respects, these projections are driven largely by observable trends in population growth, which are coupled with assumptions about economic trends and policy directions.

Projections of the labor force are somewhat easier to make than those for employment by industry because the population that will grow to work-force age by the year 2000 has already been born. Even here, however, we face several uncertainties. One task, for example, is to develop estimates of the future trend in labor force participation rates, that is, the extent to which the various population groups will participate in the labor market. For example, will the labor force participation rates for women continue to rise as rapidly as they have over the past 20 years? We estimate that they will continue to increase, but at a somewhat slower rate than in the recent past.

Another area of uncertainty arises over the extent to which immigration will affect the labor force to the future. For example, will the Hispanic component of the population, whose rapid growth has come largely through immigration (legal and illegal), continue to expand at the pace of recent years? In this regard, we have based our estimates on the Census Bureau's population projections which show a gradual decline in the level of immigration to the year 2000. The resulting labor force projections can provide important guidance about the policy issues that may confront us in the future, even though we recognize that they are driven in part by the assumptions we make. For this reason, we construct three different scenarios as background for our projections -- a low growth, an intermediate growth, and a high growth scenario.

As I have said, projections to the year 2000 have recently been published (Monthly Labor Review, September 1987). Based on the intermediate-growth scenario in this set of projections, the civilian labor force is expected to grow much more slowly in the future than it has over the past two decades. The slower growth reflects primarily the fact that fewer persons were born during the 1960's and 70's, and, therefore, fewer persons will reach the age of labor force entry in the coming years.

The rate at which women come into the labor force is also expected to slow because their participation has already reached relatively high levels. For example, labor force participation for 35-44 year old women increased from 52 percent in 1972 to nearly 75 percent in 1987. While this figure is projected to rise to about 84 percent by 2000, the rate of growth during the balance of this century is anticipated to be only about one-third as fast as it was over the past 15 years.

In addition to expanding more slowly than in the past, the labor force will also change in terms of its age composition; it will become progressively older. At the same time, an increasing proportion will represent minority groups. Almost the entire growth in the labor force is expected to be concentrated in the central age group--25 to 54 years of age. The growth of the minority components of the labor force, which is expected to continue, reflects the still rapid expansion of the black population -- whose birth rates have remained relatively high -- as well as the particularly rapid growth of the Hispanic population.

In terms of future employment growth, we expect it to continue to be primarily in the service sector of the economy, with particularly large increases in business and health services. In terms of occupations, growth is expected to be especially strong for professional, technical, and managerial workers. Thus, we project that the trend toward a predominantly service-oriented pattern of employment will continue.

In conjunction with the development of these projections, the BLS carried out two special analyses which I think are particularly relevant for this hearing. The first showed clearly that projected growth will be predominantly among those occupations generally requiring post-secondary education. These occupations are expected to account for 38 percent of the employment change. While jobs in occupations generally requiring a high school education or less are also projected to increase in absolute levels, they will be declining as a share of total employment. The greatest decline is projected for those jobs generally requiring less than high school education.

The second set of analyses examined the share of jobs currently held by whites, blacks, and Hispanics, in each of the major occupational groups. We then reviewed this against the projected occupational growth for each of these groups. For blacks and Hispanics, it was found that they were underrepresented (i.e., had less than their share of the labor force) in those occupational groups projected to grow faster than average. Conversely, blacks and Hispanics are overrepresented in the slow-growing or declining occupational groups. This suggests that blacks and Hispanics will need to take advantage of training and education programs if they are to succeed in the labor market of the future.

Adequacy and relevancy of data

Having briefly surveyed the recent trends in employment and unemployment and taken a quick glance at our long-term projections, I would now like to turn to another topic that the Subcommittee requested me to address -- the reliability and relevance of our employment and unemployment data. This is an issue about which we in the Bureau of Labor Statistics always have concerns, and I can thus appreciate the interest on the part of this Subcommittee.

As the Subcommittee knows, our current measurements of employment and unemployment, as well as our analyses of past trends and future paths, rely largely on data from two large nationwide surveys -- the Current Population Survey (CPS), which draws upon a sample of households, and the Current Employment Survey, which draws upon a large sample of business establishments. We think that these are both surveys of very high quality. However, we also know that -- like all surveys -- they could be improved. We are working hard to identify the improvements that are needed in both surveys and, within the limitation of the resources available to us, to implement them as soon as possible. While we must proceed carefully so as not to endanger the consistency of the data, we cannot remain complacent. A statistical agency as BLS needs to move forward using the best technologies and methods available. We cannot afford to slide back when we are dealing with statistics that are crucial barometers of the economic health of our Nation.

The Current Population Survey, which provides the basic measurements of labor force activity and unemployment among the various population groups, has in recent years had a sample of about 59,500 households distributed throughout the Nation. The data from this sample allow us to construct reliable monthly indicators of the national -- and I emphasize "national" -- trends in employment and unemployment, both for the entire population as well as its major components. Monthly measurements of unemployment for subnational areas are less reliable. Ours is a large, diversified country, and the national averages might not be at all reflective of the conditions in many of the States and specific areas. We have been working hard on this problem, and have developed an improved methodology for constructing unemployment estimates at the State level, which we expect to introduce soon.

Of course, all data derived from sample surveys are subject to sampling errors, and those from the CPS are no exception. However, we think that the error range surrounding the principal monthly indicators derived from this survey is quite tolerable. We know, for example, that in 9 out of 10 cases our sample-derived overall rate of unemployment would differ by less than two-tenths of a percentage point from a rate that would emerge (using the same concepts, methodology, and interviewing procedures) from a complete census of the entire working age population.

Since black and other minority groups are often the central focus of our social policies, we need to exercise particular care in our use of data for these groups. The black population, for example, constitutes only about 11 percent of the working age population; Hispanics are about 7 percent. A sample survey designed to produce national estimates will, by definition, have larger sampling errors for the minority groups than for the population as a whole. Thus, in the CPS, while the overall unemployment rate is accurate within two-tenths of a percentage point, the jobless rate has a standard error of nine-tenths for the black population. We would need to oversample by a considerable amount to achieve comparability. And this could be difficult to implement and would be very costly.

Let me end my brief discussion of the CPS by adding that the Bureau of Labor Statistics and the Census Bureau have underway a joint effort to examine the needs for survey improvement and modernization. Our examination covers practically every phase of the survey -- the questionnaire, collection techniques, the longitudinal capabilities of the survey, the processing system, and the need for better subnational data. When we have completed our planning process, we will be in a better position to discuss these issues and estimate their costs.

Let me now turn briefly to our business survey. In this survey, which is conducted in cooperation with individual States and the District of Columbia, we now have more than 300,000 establishments reporting to us each month -- a very large number, indeed. They provide us data on the number of persons on business payrolls, the hours they work, and their payroll earnings. These are the data to which we turn when we want to focus on the economic health of specific industries.

In general, the sampling error associated with the data from this survey is probably much smaller than that associated with the data from the CPS. This is because: (1) the sample of establishments responding in this survey is much larger than the sample of households interviewed in the CPS; (2) the establishments participating in the survey actually employ a very large proportion (over 40 percent) of all the workers on the payrolls of the country's nonfarm employers.

But even this survey can be improved, and we have a major project underway to modernize it. Among our goals is a better coverage of establishments in the rapidly growing services sector of the economy. This is not an easy task, since service establishments frequently are smaller than manufacturing ones and many new ones are always coming into existence. We have made considerable progress in a number of States with regard to this survey, testing the use of such technological advances as computer-assisted telephone interviewing (CATI) and other innovations. However, while we have made many improvements, we are not finished. There is much more to be done.

The two surveys discussed above do not always give us the same signals in terms of the short-run trends of the economy, but their behavior over the long term is generally quite consistent. For example, both surveys show employment growth of about 3 million over the last year and a gain of 15 million since the current expansion began in late 1982.

In sum, these two surveys -- each with its own particular strengths -- provide us reasonably reliable indicators of the economic health of the Nation. Nevertheless, as I have pointed out, there are areas where change is necessary. I assure you that we are working on them. We must make sure that the important data that we produce at the Bureau of Labor Statistics are continually improved so that they remain relevant and responsive to the Nation's changing needs.

Representative **Hawkins**. Thank you, Mrs. Norwood. One statement you made I would hope we could clarify somewhat. You indicated that the national data are much more reliable than the local level data. Many of us who represent particular communities observe a great degree of unemployment that just doesn't seem to get into any statistical results. We also observe from various witnesses at hearings that massive layoffs have occurred in certain areas. This again does not seem to be reflected in the national data. How can we get to the point where local level data will be of greater importance. Why is it that the national data should be that much more reliable than local data?

Mrs. **Norwood**. Let me point out that we do have a very well developed Federal-State cooperative program so that our employment and hours data are collected for very small areas and they are quite reliable. That's our business survey. The data from it are quite reliable at the local level.

We also have the plant closing survey which I mentioned, which is now working well in 10 States and should be expanded within the next year or two to all States.

We have a supplement to the current Population Survey which we have been doing every other year on workers who are displaced because of plant closings or the elimination of shifts.

The data that I was referring to are the unemployment data for small areas of the country. A sample designed to represent the Nation as a whole can be as small as 50,000 to 60,000 households and still provide a great deal of demographic information. But if you want data for a small town in the country or for the 3,000 counties of the country you have to have samples that are extraordinarily large. Local data is very expensive. That's our biggest problem.

What we have been trying to do is to work both with administrative data and survey data. That is, we take the administrative data that come out of a variety of programs at the local level and then apply statistical procedures to benchmark those data to annual averages from the Current Population Survey.

I think we have made enormous strides in that area, but clearly the level of reliability at the local level is lower than we would like. The extent of change that is needed to determine meaningful movement in an unemployment rate for a small area of the country, given the band of error surrounding such rates is almost by definition very large. For the Nation as a whole, on the other hand, a change of two-tenths is statistically significant.

Representative **Hawkins**. It was once suggested that in the census count approximately 1 million blacks, mostly males, were overlooked because they could not be identified. How do you adjust such quirks, assuming that that is reasonably correct?

Mrs. **Norwood**. You are quite right, Mr. Chairman. That is a serious problem. The Census Bureau itself has identified the difficulty. We believe that the undercount does affect the population counts which are used in the estimation of all of the household surveys of the Government. Not just the labor force survey, but also the health interview survey, the crime survey, et cetera.

We believe that it affects the levels more than the rates, however. There has been a good deal of research on that. I have had discussions with those at Census and elsewhere in the statistical community to try to ensure that research on the intercensal population estimates continues, including research to look at the effect of this undercount on the various household surveys which are done by the Census Bureau.

Representative HAWKINS. Another problem that seems to persist is one that I think you and I have discussed several times. That is, the shift from manufacturing jobs to service type jobs and the increased participation of women in the labor market who ordinarily would, from past results, be earning less wages.

Is there any value given to the type of jobs that are developing as opposed to just the qualitative count of the jobs?

In other words, I have observed many times that persons who lose their jobs in manufacturing often obtain jobs in the service industries at considerably less wages. Obviously a job is a job, according to definition. However, is it possible that you have roughly three persons now being employed where two previously were employed, and if so, is there any adjustment made qualitatively for the type of jobs that persons are now employed in?

Obviously you would have a greater number of jobs, and we might just conclude that the economy is generating those additional jobs, but if the jobs being created are at a very low wage as compared with the previous jobs, what do we do? Do we just simply statistically count those as additional jobs?

I know this is getting slightly out of your particular area.

Do we just simply count those as additional jobs without giving any consideration to the quality of jobs that result from such a shift? Are there any studies being made by the Bureau itself on this particular trend, if it can be identified?

Mrs. NORWOOD. I think that is very much in our area, Mr. Chairman. We do have a great deal of data on the occupations and on the earnings that people who are employed have.

We have also done some special surveys, some supplements to the current population survey on workers who have been displaced from jobs because of a plant closing down or because there has been an elimination of the shift. We do one every other year. In the last one we did we found a little over 5 million workers had been displaced; about two-thirds of them had found employment; and 56 percent of them were employed at either the same level of earnings or higher earnings.

So, we do have information of that kind. We also have information on family income and we have a whole occupational wage program as well.

I think one of the things that is often misunderstood or overlooked, perhaps, is that while it is true that we are losing jobs in some of the very high paying manufacturing industries, particularly the heavy industries like steel, autos, and machinery, we have also been losing jobs for some time in textiles and apparel, which are among the lowest paying jobs. In services we have been gaining jobs in many of the very high paying professional occupations. We have also gained many jobs in business services and health services. Of course, we are also gaining jobs in restaurants and retail trade, which are among the lowest paying jobs.

I think that we do have the data necessary to examine that issue, and it has been examined by many, many people. There has not been a conclusive answer, however. Part of the problem is that the results differ, depending on how you classify the groups in terms of whether they are low income or high income; that is, where you put the cutoffs. The results will also differ depending upon the time periods that are studied. But there have been a number of very useful studies in that area.

Representative HAWKINS. The statistics that you gave us that applied to the displaced worker, indicated that 56 percent found jobs at the same or higher wages than the previous ones. That left 44 percent of the displaced at wages lower than they previously had. Added to that, you would have the new entrants into the labor market, including youth and women.

Do we have any way of determining whether or not the number of low-wage jobs had increased with respect to the others?

You mentioned 56 percent received jobs at the same or higher wage. That is a pretty broad category. We don't know how many received more and how many received the same amount.

Mrs. NORWOOD. We do have that information. But I do want to point out that this relates only to two-thirds of the 5 million who had become reemployed. That 56 percent relates only to that group.

We do have broader information on the economy as a whole. I would point out that it is true that on average, women's earnings fall far short of male earnings, that ratio has been improving. Women have been doing a little better in recent years. We are finding that in some occupations women are earning as much as men, particularly some of the new occupations. So, it depends upon where these people are and what occupations and industries they are working in.

Representative HAWKINS. That would still not be very specific. When we logically say that some women will be earning as much as men we don't know how many there may be. Most of the women's organizations before this and similar committees have been complaining of inequality. I don't think they would agree that too many of them are approaching the point where they are earning, even for the same occupations, the same as men.

In other words, do you break it down a little finer than just general statements? Do you have any specific studies that would indicate that in the shift from manufacturing to service that the same wage result is being obtained or losing out on a net basis or gaining?

Mrs. NORWOOD. There have been a number of studies. They have had conflicting results. Probably the best known is that done by Barry Bluestone, which suggested that there had been a big increase in the low earnings group over the particular period of time that he selected. He has since adjusted those data, because that applies only to full-time, year-round workers, with his particular statement of what is a high wage and what is a low wage job.

Marvin Kosters at the American Enterprise Institute has done a study using roughly the same time periods and the same data that Mr. Bluestone has used, and he has come out with a conclusion which suggests that there has been very little change. If anything, he suggests that the data show a slight increase in the size of higher income group. But basically the conclusions of his study are that there has been very little change in the distribution of earnings over the last 10 or 20 years, and there are other data to support that.

In the May Monthly Labor Review we will have a Bureau of Labor Statistics article which looks at the sensitivity of various approaches of the type that have been used in these studies; that is, the sensitivity to the particular grouping: What is a middle income group? What is an upper income group or a lower income group? I think that this article which tries to look at this issue from a variety of points of view, will be of some help in this debate.

Representative HAWKINS. Finally, can you suggest any way that Congress can help you in developing some of the reforms that you have indicated in your prepared statement? What is it that we can do to assist?

Mrs. NORWOOD. The Congress has always been supportive of BLS. Both extremely supportive and vigilant of its independence and objectivity, and I certainly hope that that will continue.

As we come before the Congress through the budget process we will be discussing some of these issues further. It is our usual practice, as you know, to redesign all of the household surveys once the decennial census has taken place. We are now at work on the planning process for that. That must take place, because the new census data have to be incorporated in those surveys if they are to remain up to date. Within the next couple of years we will be coming before the Congress for that. I am sure there will be other initiatives as well, some of which have already been discussed by the Congress.

Representative HAWKINS. Again, Mrs. Norwood, I would like to thank you for your presentation. We understand that you have a time constraint, so we proceeded to give you the opportunity to present your testimony, and we are very pleased to have had it before the subcommittee.

Mrs. NORWOOD. Thank you very much. It is always a pleasure to see you.

Representative HAWKINS. Thank you. The next witnesses will consist of a panel of Mr. Bernard Anderson; Mr. Robert Z. Lawrence, senior fellow, Brookings Institution; Mr. Calvin George, executive director, National Committee for Full Employment; and Mr. Stuart K. Tucker, fellow, Overseas Development Council.

Gentlemen, we welcome you to the subcommittee this morning. We look forward to a lively discussion.

May I again repeat that we have asked the witnesses to confine their statements to 10 minutes so as to leave time for questioning. We will involve you in a very informal discussion. Feel free to question each other if you so desire, or to state reservations with any of the statements that are made.

With that, I would like, first of all, to call on Mr. Anderson, a friend who has appeared before this committee many times and before the Education and Labor Committee as well. We welcome you back again, Mr. Anderson, and we look forward to your testimony.

STATEMENT OF BERNARD E. ANDERSON, URBAN AFFAIRS PARTNERSHIP

Mr. ANDERSON. Thank you very much, Mr. Chairman. As you know, it is always a pleasure to appear before you. I always take this occasion to commend you on your long, dedicated and inspired leadership on a variety of social justice and economic justice issues. I always consider your invitation not just an invitation, but a demand to come, and I am happy to have the opportunity to do so.

I was asked to comment upon changes in the economy as we move toward the year 2000 and to speak to the issue of how those changes as it is possible for us to perceive them, might affect the various groups in the society. In light of that request, I have titled my remarks "Who is likely to be left behind as these changes take place."

That is a critical question, of course. It seems to me that as we consider the implications of changes in the economy in the next decade this is a time to sum up and take a look at where we are and to try to tease out the meaning and implications of the work force in the next century. As we do that, I would hope that we would give a considerable degree of attention to the national policy objective of achieving balanced growth while at the same time assuring the presence of equal opportunity for all groups in our society.

When we look at what has happened over the past 6 years—I think Mrs. Norwood summarized this very nicely in her prepared statement—we have seen strong employment growth during the recovery and expansion from the 1981-82 recession.

More than 13 million new jobs have been created, and in fact the employment growth has been shared by minority group workers whose unemployment rates have declined since the expansion began. The labor force participation rate of black and Hispanic workers is up; the unemployment rates are down to about 12 percent now; and the total employment of black workers is 11.5 million.

Minority teenagers also have benefited from these gains. Their employment-population ratio, which is a good measure of their participation in the economy, is now up to 25 percent or thereabouts from a level of 19 percent at the depth of the last recession. Their unemployment rate is down to 33 percent from around 45 percent.

There is something here that I think bears emphasis, Mr. Chairman. In looking back over the economy and trying to relate the rate of economic growth to changes in employment opportunities for minorities, what you find is that when we have sustained economic growth at the level of about 3.5 percent or more there is a tendency for the unemployment rates of the minority population to decline more rapidly than that for majority group workers, and there is a tendency for employment to expand more rapidly. That is a long-standing pattern that has been observed by looking back over these data for the past 25 years or so.

If we look ahead, then, and we project the growth to the year 2000, the BLS estimates that we may create something like 21 million new jobs. While at the same time that employment expansion will take place we expect black and Hispanic workers to comprise a larger share of the work force. I would suggest, however, that the pattern of adjustment of employment in those groups that we saw in the past on the basis of economic growth alone might not continue to be observed, because in addition to the expansion of jobs the requirements of employment are clearly changing. I believe that there is a prospect that many minority group workers will fall behind as the economy expands and continues to change structurally.

Another feature of labor markets is that as labor markets become tight you would expect employers to dip down deeper into the labor market queue to hire workers who were somewhat less well prepared, who have less investment in human capital.

This is economist's talk, Mr. Chairman. I have to remain true to my profession, at least for the record.

We expect that the tight labor markets will produce greater opportunities and that results in a widening of opportunity for many workers who under normal circumstances would not be caught up in the expansion of the economy. That will happen only if there is no change in the hiring requirements.

I think that when we look at the gap between black and Hispanic workers, especially youth, and other youth in the labor market, focusing on the difference in reading scores, on median years of school completed, on the high school dropout rate, there is reason to believe that especially in urban areas that that gap which is very wide will constrain the participation of these groups in the expansion of the economy as we move ahead.

My conclusion is that the gap between black and Hispanic workers and others, especially youth, in their preparation for the job market will constrain their capacity to benefit from the expansion of the economy which most of the studies suggest, and as a result will leave those groups to be left behind as the economy expands unless something else is done. Something must be done to address that very serious problem.

I have in my prepared statement some evidence of the particular attributes of workers that employers find very attractive and also some evidence on the differences in reading scores and how that has changed.

Representative HAWKINS. If I may interrupt. We have some documentation that there are a great number of cities that have 4 percent or less unemployment. Would that same wide gap persist in those areas, and if so, how can we explain that in some areas with such relatively low unemployment that those less desirable from the viewpoint of preparation of workers still would persist?

Mr. ANDERSON. You are quite right, Mr. Chairman. What we find is that in a number of local labor markets the marketplace is quite tight, with unemployment rates below the national level. But when you look at the jobs that are available, the jobs that are vacant, you find that many of the minority group workers, the teenagers, those who have dropped out of school and those, increasingly, who even have graduated from high school, simply do not bring to the marketplace the kind of competency in basic skills and training that many employers prefer.

We see that in two ways. One is the high rate of turnover among workers as those who are prepared can job hop from one place to the next.

The other thing we see is a number of adjustments on the part of employers to try and accommodate for that gap in skills by providing more training on the job, by entering into agreements with local community based job training programs to try to find more workers, by doing other things that are conducive to finding a work force that can meet their needs. It is a very difficult process. We see it every day, for example, in Philadelphia. One of the things our organization does is try to advise employers on how to accommodate to these kinds of changes.

The point I want to make about this, about the congressional obligation, is I believe the Federal Government has an obligation to be concerned about and to address this issue in a major way.

In the past the response to this kind of problem has been Federal support for education for the disadvantaged and Federal support of employment and training programs. I don't have to tell you the level of Federal expenditures that have gone into these kinds of programs. Over the past 6 years, since the current administration arrived there has been a deemphasis on support for these kinds of efforts, and the budgetary support simply has not been there.

One of the reasons the support wasn't there, I gather, is it was a view that was widely proposed that these programs simply had not been effective, that employment and training was a snare and a delusion; it was a boondoggle; that it was make work, et cetera. The fact is that all of the major studies of this question have shown that the record of employment and training programs as a device for including more disadvantaged workers and minorities in the work force has been mixed.

However, we have learned something over the past 25 years. One of the things we have learned is that a combination of some of the elements of the programs, like work experience with skills training, like skills training with direct job creation, that a combination of these elements of programs have in many cases been quite successful in preparing young people in particular for participation in the work force.

What I have tried to do in the concluding part of my prepared statement is lay out a policy framework for youth employment which I believe should be considered as a way to address this pending problem. This problem that we see on the horizon, is an effort to try to incorporate more members of the black and Hispanic young work force in the economy as we move toward the year 2000. Thank you very much.

[The prepared statement of Mr. Anderson follows:]

PREPARED STATEMENT OF BERNARD E. ANDERSON

Employment in the Year 2000: Who Will Be Left Behind?

Introduction

Many public and private decision makers are deeply concerned about prospective changes in the U.S. workforce and economy through the year 2000. Major studies on the issue have been conducted by the U.S. Bureau of Labor Statistics, the Hudson Institute, and other research organizations. Among the broad conclusions drawn from the research studies is that there will be serious difficulties in achieving greater economic equality unless major efforts are made to improve the prospects for minority group participation in the changing workplace.

Demographic projections suggest that minorities will comprise a larger part of the population and labor force by the year 2000 and beyond. Major sections of the Southwest, and a number of key American cities will be most affected by this development. At the same time, projected trends in occupational and industry growth suggest slow growth in the relative number of jobs for workers with limited basic skills, little job training, and inadequate work experience. The net effect of these developments is that job vacancies and labor shortages might stand side by side with large numbers of unemployed minority group workers.

This unfavorable scenario has serious complications for the nation's goal of equal opportunity. Although progress has been made toward greater economic equality during the past two decades, major disparities in economic well-being between black and other groups remain.

In our society, the main route toward improved income is through the labor market. Improved education and training raise individual productivity, which, in turn, is rewarded by higher earnings. In order to benefit from this process of upward mobility, youth must attain better education, especially good basic skills, and workers need occupational training. Access to education and training for jobs likely to be available in the year 2000 is critical to the future economic well being of black and other minority group workers.

Recent Job Growth

Employment growth has been very strong during the past six years. More than 13 million new jobs have been created since the current expansion began in the fourth quarter of 1982, following the 1981-82 recession. The U.S. Bureau of Labor Statistics expects another 21 million jobs by the end of the century.

Job growth has been widespread throughout many areas of the country. The unemployment rate is now below 4.0 percent in 31 major metropolitan areas in 19 states. Many urban labor markets seem to be near full employment, and concern about labor shortages is being heard with increasing frequency.

Demographic Change

While labor demand has moved steadily upward in many communities, the labor supply has grown at a slower pace. The number of young workers, especially those 16 to 24, has steadily declined and is down almost a million since 1982. Labor force projections suggest that the demographic twist will not turn again until well after the year 2000.

Both BLS and Hudson Insitute studies of the workforce in year 2000 concluded that minorities and women will comprise a larger share of the labor force in the years ahead. Black, Hispanic, and Asian immigrants are expected to account for 57 percent of the projected labor force growth through the year 2000. Non-Hispanic white women will comprise another 30 percent of new labor force entrants.

Where the Jobs Will Be

According to the U.S. Bureau of Labor Statistics, the occupations expected to show the fastest growth rates are not the same as those expected to generate the largest number of jobs.

Largest Number

Occupation	New Jobs (000)	Percent Change
Retail Sales	1,200	33%
Waiter/Waitress	752	44
Nursing	612	44
Janitor	604	23
General Manager	582	24
Cashier	575	26
Truck Driver	525	24
Office Clerk	462	20
Food Worker	449	30
Nursing Aid	443	35

Fastest Growth Rates

Occupation	New Jobs (000)	Percent Change
Paralegal	64	104%
Medical Assistant	119	90
Physical Therapy	53	87
Data Processing	56	81
Home Health Aide	111	80
Systems Analyst	251	76
Med. Record Tech.	30	75
Computer Programmer	335	70

Many of the new jobs will be created by the need to replace workers who retire or transfer to other occupations. But many new jobs also will be generated by the increased labor demand that flows from economic growth.

Occupational Requirements

The consensus among labor market experts is that occupational requirements will rise in the years ahead. According to the Hudson Institute, a comparison of schooling and job requirements through year 2000 would show:

Years of Schooling to Perform Job	Current Job	Future Jobs
8 Years or Less	6.0%	4.0
1-3 Years High School	12.0	10.0
4 Years High School	40.0	35.0
1-3 Years College	22.0	22.0
4 Years College	22.0	30.0
Median Years of School	12.8	13.5

Much of the skill upgrading is the result of rapid growth in service sector jobs. Business, health, social and other service industries are expected to generate more jobs than any other sector in the next decade. Such industries call for basic skills and other competancies beyond those required in semi-skilled entry level manufacturing jobs. A sampling of 4078 employers, conducted by the Conference Board in 1986, identified the following skills, attitudes and knowledge bases as important qualifications for entry level workers to secure and maintain employment.

1. Basic literacy
2. Advanced reader
3. Basic math
4. Excellent math skills
5. Proper attitude
6. Dependable
7. Good judgment
8. Quick learner
9. Growth potential
10. Manual dexterity
11. Good team member
12. Can supervise

These attributes are learned both in, and out of school. Some are clearly etched in behavior very early in life. What is clear is that an expanding number of occupations in a wide range of industries will require such competancies.

Employers have increasingly emphasized the importance of basic skills for success in the labor market. Their views have been played out in hiring decisions which result in higher earnings for new employees with higher levels of educational attainment. For example, for males 18 to 24, the gap between the mean annual income of a high school dropout and a high school graduate was 31 percent in the early 1960s, but 59 percent in the early 1980s. Of course, more jobs and higher earnings for high school graduates reflects, in part, the increased number of such workers in recent years. But a preference for the better educated youth also reflects changing occupational requirements.

National surveys confirm the close link between education and labor market success. According to the U.S. Bureau of Labor Statistics labor force participation rates, the best measure of participation in the economy, are highly correlated with educational attainment. College graduates have the highest rates of participation - a pattern evident among all race and gender groups. But black and Hispanic workers remain much less likely than white workers to have a college degree. About 1 of every 4 white workers attended college for 4 years or more, compared with 1 of 7 black workers, and 1 of 9 Hispanics.

In March 1987, the date of the most recent survey, the lowest rates of unemployment were recorded by college graduates. Again, this was so among minorities as well as white workers. The unemployment of black high school dropouts was 14.8 percent, compared to 12.0 percent for Hispanics, and 10.2 percent for white workers. In each group, college graduates showed unemployment rates below 5.0 percent.

Minority Youth Preparation for Work

The upgrading of occupational skill requirements places many minority youth at a disadvantage in competing with others in the job market. Measured by objective standards, minority youth display unequal levels of educational attainment. According to the National Assessment of Educational Progress, in 1985, comparative reading scores of youth aged 13 to 17 were: white-314; black-263; Hispanic-286. Similar differences among the groups were evident in the dropout rate, i.e., the percent of 18 and 19 year olds who were not in school and had not graduated.

Between 1971 and 1985, both black and Hispanic youth aged 13 and 17 showed improvements in measured levels of basic and advanced reading skills. These gains reflected improvements in the quality of education in schools attended by minority group youth. But while progress was made, significant gaps between black and white youth remain.

In a tight labor market, reflected by a high rate of job vacancies and high labor turnover, workers with less than average education and training should find jobs more easily. Employers would normally dip deeper into the labor supply queue in order to meet hiring needs. Today, however, the usual impact of tight labor markets on hiring the disadvantaged has been moderated by the rising minimum level of basic skills and occupational skill requirements. This process of structural change in the labor market generates a higher level of unemployment among low skilled youth than would exist if occupational requirements remained unchanged in the presence of increased job creation.

Implications of Projected Trends

The clear policy implication of the changing job market is that serious efforts must be made to narrow the gap in education and training if minorities are not to be left behind as the economy grows in the years ahead. The changing occupational and demographic trends present an opportunity to make progress toward improved income and employment among black and Hispanic workers, but only if substantial gains are made in education and training among minorities. In the absence of gains in preparing the minority workforce for better jobs, there will not be sufficient workers to meet hiring needs in the years ahead. Tight labor markets will reflect serious labor shortages, placing upward pressure on wages and threatening higher levels of inflation, while a large segment of the population remains unemployed.

Role of Employment and Training Policy

In the past, the federal government supported a range of employment and training policies aimed at improving the job prospects of disadvantaged youth, including large number of minorities. Some critics have suggested that such policies were ill-conceived and ineffective in achieving their intended purpose. A careful review of the record, however, reveals a more complex picture, but on balance, employment and training programs helped ease the problem of joblessness among minority group youth.

From the mid-1960s through 1977, about two million persons each year paticipated in employment and training programs. Of that number, about one-third were age 22 or below. Federal spending for employment programs serving 1.2 million youth reached $955 million in fiscal year 1977, but rose to about $8.9 billion per year from 1978 through 1981 as the Carter administration attempted to generate a major impact on youth unemployment.

Does Employment and Training Policy Work?

The evidence on youth program effectiveness is diverse and often contradictory, but a review of the voluminous literature suggests that the three major strategies - work experience, occupational skills training, and job creation - have produced benefits to the participants, and to society that exceed program cost. But work experience programs seem to be most effective when combined with basic remediation, and programs for labor market preparation of at-risk youth seem to work best when based in schools and tied closely to the private sector.

Occupational skills training programs have been the most difficult to organize and manage effectively, but those that were carefully targeted, such as the Job Corps, often had notable success in improving the job prospects to disadvantaged youth.

Lessons from experience with employment and training policy over the past two decades justifies continued support for such efforts in the years ahead as a strategy for assuring minority group participation in the expanding economy.

Framework for Youth Employment Policy

The projected economic and demographic changes leading toward the year 2000 and beyond set the backdrop for a coherent youth employment policy that will enhance the prospects for greater economic equality. An increasing proportion of new labor market participants will be minority group youth, especially black and Hispanic minorities. The concentration of poor, minority-group families in cities has worsened during the past decade, at the same time that local economies have shifted away from the type of jobs that were major ports of entry into the labor market for many low-income, semi-skilled, minority-group workers.

Urban poverty today is in large part a product of nonparticipation in the labor market among many workers with low individual productivity and few marketable job skills. A disproportionate number of the urban poor are young single mothers whose labor market opportunities are severely restricted by child care responsibilities in addition to poor education and training.

These conditions form the context for an employment policy aimed at expanding employment and earning opportunities for youth. But the expectations for youth employment policy should be reasonable. It is unlikely that youth employment and training programs will contribute significantly to a reduction of poverty in the short term. The past experience with such efforts shows that increases in youth employment exceed increases in wages from successful participation in youth employment programs. The earnings gains from program participation at best raise the annual income from slightly below to slightly above the poverty level. One of the reasons for this outcome, of course, is that past programs typically made only a small investment in occupational skills training that would enable youth to enter jobs paying much above the minimum wage.

The jury is still out on the impact of the Job Training Partnership Act, but preliminary reports on the new employment and training system do not suggest that it will be a more powerful anti-poverty device than previous policies. Although training gained priority over work experience under JTPA, with about 62 percent of the 586,000 youth in classroom training and on-the-job training in 1983, job placement still seems concentrated in the lower wage sector. This outcome might reflect the results of the relatively short training provided under JTPA - about 11 weeks.

The challenge for youth employment policy is not a short-term reduction in poverty, but improvement in long-term employment and earnings prospects among youth in the context of current and expected economic and social forces.

Better Linkages Between Education and Work

A national consensus has emerged on the need to strengthen and upgrade public school education. Culminating in the Nation at Risk report, numerous recommendations have been made on ways to improve instruction in math and science, and to raise the overall competence of youth in basic skills. The national goal of excellence in education is an important part of youth employment policy because better prepared high school graduates will be more likely to find jobs with good career potential.

But the improved academic quality of public education must be reinforced by efforts to introduce high school youth to the world of work. This should be done through regular instruction in job search practices, expanded opportunities for part-time work during the school year, and the adoption of strict performance standards for schoolwork and employment.

Public employment and training funds should be used to support quality school-to-work transition programs where there is a strong commitment of support from the private sector. A quid-pro-quo between the schools and employers should be promoted, with schools taking the responsibility to assure well-trained and motivated youth, and employers guaranteeing jobs for youth who meet the prescribed performance standards. Program iniatives such as Jobs for America's Graduates and the Boston Compact are good models for a successful strategy aimed at in-school youth. When combined with efforts to strengthen basic youth competencies, the job search and job placement assistanced provided by such programs can go far toward reducing transitional youth unemployment.

Improved Forms of Training and Work Experience

School dropouts range from recent teen school leavers to young adults with serious long-term employment problems. Typically, such youth have serious deficiencies in basic skills in addition to other personal problems. Such youth need intensive services linking basic remedial training, occupational skills training, and job placement assistance.

Recruitment and retention of dropouts in training programs is a continuing problem that reduces the potential for program effectiveness. It is clear, however, that monetary incentives can help ease the cost of program participation to low-income youth. The risk is that such incentives might become the primary goal of enrollment, with training taking a secondary or lower rank in the priority of program participants. But the seriousness of purpose among youth can be reinforced by strict standards of performance, and attentiveness to the personal problems of many disadvantaged dropouts who want to participate in training programs.

Work experience for dropouts can be an important ingredient in a successful training strategy. But work experience alone is not enough. It should be combined with basic remediation, specifying pre-determined goals for gains in skill competency. Enriched work experience also should focus on jobs related to the changing occupational structure of the economy. This will be more likely if the jobs are in the private sector.

In fact, youth employment policy should contain incentives for the private sector to seek the "5 percent solution". Under this strategy, private sector employers would hire and train one economically disadvantaged youth, aged 16 through 21, for each 20 new employees. A new initiative based on this principle is now in its early stages in Philadelphia, where 15 employers have pledged to hire dropouts.

Obviously, this plan will work best in firms that are growing rapidly. But rapid employment expansion is now taking place in the very industries expected to be on the cutting edge of the transformation towards the service/information sector. By assuring job opportunities to dropouts willing to make a commitment to self-improvement, the link between personal effort and reward can be strengthened, and the disincentives for participating in training programs reduced.

Targeting of Resources

With limited resources available for youth training, employment policy must pick its targets very carefully. Current policy tends to direct resources away from jobless youth with the greatest need. A more effective policy would define eligible youth more precisely, placing emphasis on length of non-employment, level of basic skill, and availability of entry-level jobs in the local community rather than family income. The objective should be a demographic mix in which at least one-third of all youth participants in training programs are school dropouts. The goal of 40 percent of all program funds spent on youth should be retained, and should be enforced by the federal government.

Training resource allocation decisions also should recognize the disproportionate problems of joblessness among minority group youth. Many Hispanic youth cannot qualify for enrollment in JTPA programs because of English language deficiencies. Similarly, many black female youth do not enroll in training programs because of child care responsibilities. Training funds should be aimed more directly at such groups because their joblessness exceeds that of all other groups, and has shown little improvement over time.

It is important, however, to combine training and other social services in order to achieve greater success in tackling minority youth unemployment. Specific youth employment programs, in and of themselves, will be insufficient to provide the range of services required to remove the mulitple barriers that prevent many minority youth from participating in the labor market. Previous program experience offers little guidance on what works for the hardest to employ in the inner city areas, and for that reason, a significant proportion of funds should be available to support carefully designed experimentation in selected communities where this problem is most severe.

The cost of programs organized around these four strategies need not exceed significantly the current level of spending for youth employment programs. But the mix of services can well be altered. For example, funds for youth employment policy should gradually be weaned away from in-school programs, as more of the cost of employability development is absorbed into regular school budgets supported by the states and local communities. Funds released in this way can be redirected toward increased support of efforts to help out-of-school youth.

The federal role in policy should continue to be limited to the expression of national interest in youth development, with a strong commitment to eliminating inequality in youth labor market opportunity. Under current policy, youth employment program planning and implementation are concentrated at the state and local levels, with close collaboration among educational institutions, local government, and the private sector. Experience under JTPA, however, shows that local delivery systems are still searching for effective ways to serve disadvantaged youths. Federal support for youth employment programs might well be increased about a third above the current level of $1.2 billion, with the additional funds earmarked for upgraded training and enriched work experience programs for school dropouts.

Conclusion

Youth unemployment continues to deserve national attention because it contributes to poverty for some groups, and lowers the nation's productive potential. The problem can be eased with carefully designed youth employment policy conceived in recognition of prevailing economic and social conditions. The lessons from the past two decades, while not as useful as one would like for guiding future efforts, still are instructive. Past experience teaches the importance of realistic goals for youth employment policy, and the necessity of taking a long view in measuring results. Expected economic and demographic trends provide a basis for optimism that sustained and purposeful engagement with youth joblessness through carefully designed national policy will yield benefits well worth the cost in federal funds.

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Representative HAWKINS. Thank you, Mr. Anderson. The next witness is Mr. Robert Z. Lawrence. Mr. Lawrence is currently serving as senior fellow at the Brookings Institution with concentrated interest in international economics. He has been asked to share his thinking on why it is important to refine national economic, education, and employment policy.

Mr. Lawrence, we welcome you and look forward to your testimony.

STATEMENT OF ROBERT Z. LAWRENCE, SENIOR FELLOW, THE BROOKINGS INSTITUTION

Mr. LAWRENCE. Thank you very much, Mr. Chairman. I am going to comment on the outlook for our economy over the next decade or so and why I see it imperative for us to change both the way we have been spending and the way we have been producing.

The central problem that our economy will face over the next decade or so, in my view, is how it will improve the living standards of its citizens.

If you look at table 1 in my prepared statement, I illustrate the problem that our economy faces. Essentially, GNP per worker, output per worker, or labor productivity in our economy has slumped from its rate up until about 1970 until today. Between 1948 to 1969 output per worker was increasing at an annual rate of 2.3 percent. Since that time output per worker has been growing at a rate of between 0.7 and 1 percent a year.

The fundamental determinant of a nation's living standards is obviously what its workers produce.

We have been able to escape the fact that our GNP per worker has been declining through two devices.

The first we tried in the 1970's. And that was to have our labor force grow more rapidly than our population. As a result of that we were able to raise our GNP per capita at an annual rate of 1.4 percent. So that in the 1970's we avoided tightening our belts essentially by putting more people to work.

In the 1980's we resorted to a second device. Even though our GNP per worker, what we produced, continued to grow very slowly, we increased our spending back to a 2.2 percent rate, essentially back to what our spending was between 1948 to 1969. The way we did that, spending more than we produced at home, was essentially to borrow the difference from the rest of the world, to import goods and services into this economy to a greater degree than we were exporting them. Essentially, to generate a trade deficit which we financed through borrowing.

That is why we have a casual impression that things are very good, that our living standards continue to rise. Sure, we feel good today, because we are spending at the rates that we were in the 1950's and 1960's. However, that spending is based on borrowing and not on what we are producing.

As long as foreigners are willing to finance this situation we can go on for some period of time. But it cannot go on indefinitely. Ultimately we have to adjust our spending to bring it in line with what we produce. We have already seen that these adjustments are occurring. Foreigners are less willing to pay the price of that high dollar than they used to be, and we have seen the exchange rate decline over the last few years. That means essentially that our trade deficit is going to decline, but what it also means is that if we continue to try to maintain our spending patterns we are going to detract from our economy's ability to invest.

What I have done in table 2, of my prepared statement, is to give you an illustrative scenario of what the next 8 years would look like if our productivity growth per worker continues at the historical rate of 1 percent a year. Our labor force will indeed grow, although more slowly, and GNP per capita,, what we produce per person, will rise at an annual rate of 1.5 percent a year. However, if over this period we close our trade gap we will only have available half a percent a year per capita for our total spending to rise over the next 7 years. Essentially, we will have to reduce our spending from the rate which we have been spending in the past 7 years of a 2.2 percent per capita rate down to only half a percent a year if we are to close that gap.

I believe that this is an extremely grim picture, and if we cannot do anything to raise our productivity per worker the strains on our living standard growth are going to be extremely substantial. That 0.5 percent a year includes our spending on Government, on consumption, and on investment. If we are to increase the share of our GNP going to investment we have even less available for consumption and for Government spending.

That is the scenario as it appears today if we continue to do as we have done in the past, if we continue to have our productivity growth rise at that 1 percent a year figure.

I believe that this is unacceptable to us, and there is essentially only one sustainable long-term response, and that is to improve the productivity growth of our economy. The major way in which we can do that is to improve the training and education in our labor force. There are many other areas which have to be improved in terms of our performance—management, technological innovation—but I think fundamentally the productivity growth of our economy will depend upon the productivity performance of our work force.

A second feature of this adjustment scenario, as I have sketched it out in the prepared statement, is the fact that in order to close the difference between what we are importing and what we are exporting, our Nation's exports are going to have to grow extremely rapidly.

In the scenario that I sketch out there the volume of exports will have to rise at about a 10 percent annual rate over the next 7 years. That means, No. 1, that we are going to have to become more competitive. Either this will occur through a further decline in the value of the dollar, which will further constrain our living standards, reducing our international buying power, or we will have to find a way to make our products more attractive to foreigners through quality and technological innovation.

That export growth which we will have to generate will primarily have to come from our manufacturing sector. That is why I believe that in contrast to the last few years the most dynamic area of our economy will have to be the manufacturing sector of the economy.

If the problem in the past has been that we have been unable to create sufficient jobs, as some perceive it, in durables manufacturing, I do not see it as large a problem over the next decade. The demand in high skill manufacturing activities will be there.

Nonetheless, there does remain the question of whether the labor force which we will have will be adequately equipped to fill those slots in the manufacturing sector.

What we know about our exports is that they are essentially concentrated, for want of a better term, in what we call high technology industries.

We also know that part of this adjustment has to occur in our import competing sector of the economy, and that even there in our more basic industries the thrust of adjustment will require an improvement in the technological competence of our manufacturing sector.

So that both on the export and on the import side, and more generally in manufacturing, the drive is going to be toward an increasing demand for highly skilled labor.

So I concur with the judgment already expressed this morning that our economy faces a major prospective problem of mismatch, increasing occupational upgrading in the work force, on the one hand setting the tone for the demand side of the economy, and with the supply side of new, young, flexible workers slowing down the supply of new women entering the labor force, slowing down, and a higher proportion of minorities in the albeit slow growing labor force. That, too, points to the need to improve training and education of the labor force that is going to be available for us to make this adjustment.

In sum, Mr. Chairman, in the next decade if the United States is to sustain the growth of its living standards it will have to alter both the way it spends, increasing the spending on investment and lowering the total share of our incomes that we spend, and the way we produce. Increased public and private savings will be essential if the reduction in foreign borrowing is not to come at the expense of domestic capital formation, and a major improvement in worker education and training will be essential if the gap between national income and spending is to be closed by higher productivity and improved competitiveness rather than by lower living standards and a cheaper dollar.

[The prepared statement of Mr. Lawrence follows:]

PREPARED STATEMENT OF ROBERT Z. LAWRENCE*

The central problem facing the United States economy over the next decade or so will be improving the living standards of its citizens. Starting in the early 1970s, output per worker and the real income of the average American began to grow much more slowly than they had in the prior two decades. This decline was masked by the growing labor force in the 1970s and by a resort to overseas borrowing in the 1980s, but it now threatens to get worse in the years ahead as U.S. labor force growth slows down and the bills from running up foreign debt come due.

Table 1 illustrates the problem. Starting in the early 1970s, the growth rate of output per worker declined dramatically from an annual average of 2.3 percent per year between 1950 and 1969 to just 0.7 percent per year between 1970 and 1980. The fall in the growth of output per capita was less severe because the work force expanded relative to the size of the population as the large baby-boom cohorts began working and American women increased their labor force participation. Accompanying the fall in productivity growth was a fall in the growth of average incomes--the various income measures in Table 1 all reflect that decline.

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* Some of this testimony is drawn from work done jointly with my colleagues, Robert E. Litan and Charles L. Schultze, for a Brookings book on U.S. living standards, to be published later this year. The responsibility for this statement is, however, mine alone and does not reflect the views of the Brookings Institution, its officers, trustees, or other staff members.

In the 1970s, Americans did adjust their spending to the reduced growth in their incomes -- the growth in real percapita spending roughly matched the rise in percapita incomes. The 1980s, however, were a different matter. Nothing has happened so far in the nineteen eighties to accelerate the slow growth in productivity and income. Yet even as output and income continued their sluggish pace, the last seven years have witnessed a sharp rebound in the growth of national spending (see the last two columns of Table 1). On a per capita basis spending growth rebounded almost back to where it was in the earlier postwar decades, despite the continued sluggish advance of national production and income.

The only way that the country as a whole can spend more than it produces, however, is to import the difference from abroad. Thus, during these last six years the United States ran a huge trade deficit -- we fed our appetite for spending by importing much more than we exported, borrowing the difference from foreign investors. And, as the data in the table indicate, the extra spending was principally used not to invest in national wealth but to increase consumption and government expenditures. (Gross private investment was about the same share of GNP (16 percent) in 1980 and in 1987) Federal taxes were reduced sharply in 1981, so that consumers had more to spend. Simultaneously defense spending was boosted substantially without an offsetting cut in civilian programs. Insofar as they can be measured by the combination of consumer purchases and goverment services, living standards grew quite rapidly in the first seven years of the 1980s.

In the long run, however, the inevitable consequence of a fall in the growth of productivity is a slowdown in the advance of living standards; when the growth in output per worker rises at a slower pace, the amount available for purchase by consumers or by government to use must also grow more slowly. As long as foreigners are willing to lend to us on a large scale, we can postpone the day of reckoning and continue to increase spending at an undiminished rate, as we have done so far in the nineteen eighties. But this era has already begun to end. Foreigners have become increasingly unwilling to finance our excess spending; their decreased demand for U.S. dollars has driven down the value of the dollar from its highs of several years ago; the lower dollar, by making our exports less expensive abroad and raising the price of imports into this country has set in motion a fall in the U.S. trade deficit and a concomitant decline in the inflow of foreign funds into the United States. As the trade deficit continues to fall toward zero, our own domestic spending will have to shrink to fit within the limits of our domestic production. Indeed domestic spending will eventually have to come down even more than this. We are going to have to pay interest on the overseas debts we have accumulated over these last six or seven years. To do so we will have to run a trade surplus in order to earn the income with which to make those debt service payments. Domestic spending will thus have to fall below national output in order to leave enough output available for the export surplus.

Table 2 sets forth the consequences of the chain of events outlined above. It projects the growth of GNP per worker to continue at its recent sluggish pace -- at 1.0 percent per year once the economy reaches an unemployment rate of 5.2 percent. This means that the growth of GNP per capita will fall, because the ratio of the work force to the population will no longer be rising so rapidly as it has in the past several decades. The estimates in the table then assume that the United States current account deficit, which was $160 billion last year will be converted into a much more modest deficit (of $30 billion) by 1995. Since our net earnings from foreign investment are projected to fall from a surplus of $25.9 billion in 1987 to a deficit of $28.3 by 1995, the United States will need a surplus in its trade in goods and services to attain this result. In order for this to occur, domestic spending per capita will have to rise by less than the growth in output (GNP) per capita.

The result is that per capita spending on investment, government and consumption combined can only grow at 0.5 percent per year over the next seven years (to 1995), a much slower rate of increase than at any time in the postwar period, and far below the growth rate of the last seven years. To bring its spending in line with its production, the U.S. economy will have to engage in considerable belt-tightening. Goods once available for domestic use will have to be exported or used as a replacement for imports. It is likely, however, that to sell these U.S. products abroad a weaker dollar will be required as part of the adjustment process. My estimates suggest that the dollar will have to decline in real terms by about twenty percent from its current levels to bring about the scenario I have outlined. This decline will further lower U.S. buying power.

This scenario illustrates what will happen when the American people can no longer postpone the painful consequences that follow from a sustained drop in the growth of productivity. Living standards will be rising very slowly over the years immediately ahead, as domestic spending growth adjusts downward to match our slower productivity growth and, for awhile at least, slows even further to eliminate the excess spending of recent years.

Assuming we wish (or are forced) to bring spending in line with our incomes, a major question we will face is which components of spending should be reduced the most. Hopefully private and public consumption, rather than investment will bear the brunt of the adjustment. A reduction in the budget deficit would concentrate the spending adjustment on consumers and government -- through tax increases which lower consumer income and cuts in government spending. But if the budget deficit is not reduced, the spending restraint will have to come through tight money and high interest rates which would principally penalize investment, leading eventually to an even lower growth of national output,income and living standards.

The decline in U.S. spending growth required over the next decade will require a much greater discipline than Americans have ever displayed in either their public or private spending decisions. There are two ways of avoiding this painful adjustment. The first is simply to avoid the belt tightening until foreigners refuse to continue financing the trade deficit. That response may be seem attractive in the short run, but it will make the required adjustment much larger and more painful when foreign patience runs out (or when the interest burden accumulates to an unsustainable level). The second and more appealing response would be to increase U.S. productivity growth and improve the international competitiveness of our products, thereby raising our income growth to match a higher spending path.

Reducing the pain of the adjustment by raising productivity growth will not be easy. There are no panaceas which might replace the need to work harder and more efficiently. We do know however, that improvements in knowledge are the backbone of more rapid productivity growth. In addition to improved management skills and technological breakthroughs, a rise in productivity growth will require major advances in the educational and skill levels of the American workforce.

Obviously the more attractive our goods are both to Americans and to foreigners, the less the need to lower their prices and thus the smaller the reduction in U.S. international buying power. An improved labor force can play an important role in improving the attractiveness of U.S. products by higher quality and increased technological innovation.

Production Structure

The adjustment scenario I have outlined entails not only a considerable shift in U.S. spending patterns but also a substantial change in the U.S. production structure. Since most trade occurs in goods, the goods sector, especially manufacturing, will have to expand particularly rapidly. The scenario outlined has U.S. exports rising at an annual rate of 10.75 percent per year between 1987 and 1995. The U.S. trade balance in manufactured goods shifts from a deficit of 123 billion dollars in 1987 to a surplus of 79 billion in 1995. To support an export boom of this magnitude, the U.S. manufacturing sector will have to grow at an annual rate of 3.6 percent compared with the rise of 2.4 percent for GNP as a whole. Measured in 1982 dollars manufacturing will rise as a share of GNP from 22.1 percent in 1987 to 24.2 percent in 1995.

The rising share of manufacturing within U.S. GNP will be accompanied by a rising share of high-technology activities within manufacturing. The rapid growth in U.S. exports which are heavily concentrated in chemicals and capital goods will provide a major impulse to these high-tech sectors. At the same time, the declining dollar will offer the basic industries increased opportunities for renewal through technological improvements.

While the share of manufacturing workers in the U.S. labor force will continue to decline over this period, manufacturing employment is likely to rise. Even if manufacturing labor productivity growth advanced at a 3 percent annual rate, an additional one million workers could find employment in manufacturing by 1995. These employment opportunities will however require a workforce with appropriate skills and training.

Many have voiced concerns about the alleged inability of the U.S. economy to create enough "good jobs" -- particularly those in durable goods manufacturing. I believe, however, that over the next decade the problem will be finding enough good people to fill the good jobs. In the 1970s and early 1980s, with a labor force growing at an annual rate of 2.4 percent because of a steady inflow of young people and females, the United States was able to grow by using labor intensively rather than capital and technology. In the 1990s, it is will not have that luxury. Young workers are relatively easy to train, but the young will represent a declining share of the labor force. Moreover, within the smaller youth cohorts there will be higher proportions of minority workers who are generally less well-prepared for high-skill jobs. The problem of occupational mismatch is likely to grow therefore as the occupational structure of the economy shifts towards requiring better skills while the skill levels of readily available workers declines. Accordingly "life-long training" will have to become a reality rather than a slogan as older workers will have to be employed in the new jobs.

In addition, basic educational levels, particularly of minority workers will have to be raised.

In sum, in the next decade, if the United States is to sustain the growth of its living standards, it will have to alter both the way it spends and the way it produces. Increased public and private savings will be essential if the reduction in foreign borrowing is not to come at the expense of domestic capital formation. A major improvement in worker eduction and training will be essential if the gap between national income and expenditure is to be closed by higher productivity and improved competitiveness rather than by lower living standards and a cheaper dollar.

While more open foreign markets and faster foreign growth will allow the U.S. to adjust with relatively smaller declines in the exchange rate, the overwhelming determinant of our living standards will depend, as it always has, on the productivity of the domestic economy. Nonetheless, as a result of having to undertake the adjustments I have described, the United States will become increasingly integrated into the global economy. While the past seven years have seen a rapid increase in import penetration into the U.S. market, the next decade or so will have to see a major rise in the share of U.S. production going for exports. At the end of the process our interdependence with the global economy will be far greater than when we set off on our borrowing spree in the early 1980s.

In my view, America cannot ignore this changing global reality. Efforts to recapture the past by retreating into isolation by erecting trade barriers, capital controls and restrictions on foreign investment are doomed to failure. Such measures will simply compound the inevitable slowdown in our living standards by lowering economic efficiency. Instead, America must meet the challenge of its changing global role head on, by adapting its institutions to ensure that it competes effectively in the global economy. For this reason, the efforts made by this committee to take a candid look at our future are to be commended.

Table 1. The Growth of Output, Income, and Spending, 1948-87
(percent per year)

Period	Output		Income		Domestic spending (per capita)	
	GNP per worker[a]	GNP per capita	Compensation per worker	Median family income	Total[b]	Government and consumer
1948-69	2.3	2.2	3.1	3.0	2.4	2.5
1969-80	0.7	1.4	0.9	0.5	1.3	1.2
1980-87	1.0	1.6	0.7	1.0	2.2	2.2

a. "Workers" include the self-employed.

b. Excludes changes in business inventories.

Table 2. Historical and Projected Growth Rates of National Output and Spending
(percent per year)

Period		GNP per worker	GNP per capita	Government investment & consumption per capita
Historical:	1948-69	2.3	2.6	2.5
	1969-80	0.7	1.4	1.2
	1980-87	1.0	1.6	2.2
Projected:	1987-95	1.0	1.5	0.5

Representative **Hawkins**. Thank you, Mr. Lawrence. The next witness is Mr. Calvin George. Mr. George is the executive director of the National Committee for Full Employment and the Full Employment Action Council. He has worked for the Wisconsin State Employment Service and the Inner City Development Project in Milwaukee. He served as a consultant for 4 years in public policy and program management, specializing in employment and training, community economic development, and government affairs.

Mr. George, we are delighted to welcome you.

STATEMENT OF CALVIN H. GEORGE, EXECUTIVE DIRECTOR, NATIONAL COMMITTEE FOR FULL EMPLOYMENT, AND FULL EMPLOYMENT ACTION COUNCIL

Mr. **George**. Thank you, Mr. Chairman. It is really a pleasure to be here today and to give our views on recent labor market trends and where we are going in the year 2000.

I am going to try to be as informal as I can be and hit some high points. I did last night try to figure out what were the major points that I wanted to make, and it took me twice as long to do it than the time that is allotted. So I am only going to be able to make half of those.

I think another way of rephrasing what Mr. Anderson said in terms of who is going to be left behind is also to ask in terms of recent labor market trends, whose recovery has it been anyway. Who really has benefited? The question is not so much are we now finally after 64 or 65 months back to the unemployment levels of 1979 or are we better off than we were in 1979. Our analysis of both of those labor market trends as well as some really quite startling projections by the Department of Labor in its "Workforce 2000" study done by the Hudson Institute are, quite frankly, alarming.

Trying to avoid the doom and gloom label that so often is put on those of us that are in fact struggling for a more just society and a more practical and realistic society, I will nonetheless launch into two or three of these.

To begin with, the "Workforce 2000" study projects a middle ground, 7.0 percent unemployment rate for the year 2000. That is disturbing. It is worse ground. Particularly in light of the Humphrey-Hawkins bill which you are so familiar with and which we need to begin to pay attention to again, it also is a worse-case scenario of 9.9 percent unemployment in the year 2000.

The disturbing issues relate to both a tightening of the labor market as the "Workforce 2000" study foresees it and Mr. Anderson referred to, but also the share of new jobs that we can expect minorities and new immigrants and women to hold. Currently, as the study points out, minorities, that is, nonwhite men and women, hold 17 percent of existing jobs but are projected to fill 42 percent of the new jobs created between now and the year 2000.

When you look at their labor force growth rates, we find that Hispanics' labor force participation rate in absolute numbers of growth is projected to increase by four times that of their share of new jobs. Black women's growth rate in the labor force is expected to increase by twice that of the share of new jobs that they will receive. And while black men are expected to grow—and I think this is alarming—at a much smaller rate in terms of their labor force participation rate, they are expected to receive half that share of new jobs.

Looking at the most recent trends, as Mr. Anderson pointed out, and Mrs. Norwood with slightly different figures before, we have seen 13.2 million jobs created in the economy since 1979-80, and that is an average of about 1.9 million jobs per year in the first 7 years of the Reagan administration, or a 30 percent slower growth rate than in the last half of the 1970's when we added approximately 2.7 million jobs per year.

There are different ways of looking at this data, as Mrs. Norwood has pointed out. You can also look at Department of Commerce data on full-time equivalent jobs and see that between 1973 and 1979, we saw approximately a 2.5 percent annual growth rate. Since 1979 that increase has shrunk to just 1.4 percent on a per year basis, which is approximately a 44 percent decline.

Why is the unemployment rate lower today? Is it because this has been one of the strongest recoveries in the Nation's history? The answer has to be unequivocally, no. The reason why the unemployment has shrunk back to the levels of the late 1970's is principally that the labor force has grown at a much slower rate. We see that the labor force growth rate in the first 7 years of the 1980's has been growing at a rate of only 25—I think I have misplaced that specific number.

I think the other disturbing element that I can pull together is that we calculate on an annual and on a monthly basis what we call the NCFE, National Committee for Full Employment, real rate of joblessness and underemployment in which we include in addition to the officially unemployed those people that have been discouraged, and are no longer counted in the labor force because they are no longer seeking work due to economic reasons, and those people that are working part time even though they want full-time jobs. That rate for 1987 was 11.5 percent, in marked contrast to 9.7 percent in 1979. The principal reason for the increase in that rate during these past 7 years has been a persistently high level of people working part time who want full-time jobs.

Yes, that number has gone down by about 25 to 30 percent since the height of the 1981 to 1983 recession, but it is by historical standards nearly 40 percent higher than it was in 1979. It now on an annual basis in 1987 accounted for about 5.4 million people. This is, at best, a conservative estimate of the kinds of underemployment or subemployment that we face in this country and is another indicator of our inability as a society both economically and socially to move toward a more full employment, and a more equal opportunity society.

In summary, Mr. Chairman, I would be glad to answer any questions that you might have about the other trends that we identify.

I have also made available to the subcommittee our recent publication "On the Road Again: A Six Point Agenda Towards a Full Employment Society," which we would like to have made part of the record. The purpose of this document has been to stimulate debate during the current election year season about jobs and economic opportunity. We think that debate has in fact been a strong one, and we are very hopeful that the next Congress and the next administration will find itself in a more receptive position to begin responding to some of these issues. We will be developing a more specific set of proposals for the next administration and the next Congress and would welcome your input to this process and will be glad to share the results of an upcoming meeting of our board that will focus on this issue. Thank you very much.

Representative HAWKINS. Thank you, Mr. George. The document referred to will be entered in the record following Mr. George's prepared statement.

[The prepared statement of Mr. George, together with the publication referred to, follows:]

PREPARED STATEMENT OF CALVIN H. GEORGE

Mr. Chairman and distinguished Members of the Joint Economic Committee, I am Calvin H. George, Executive Director of the National Committee for Full Employment and the Full Employment Action Council (NCFE/FEAC). I am delighted to appear here today and offer our views on both the nation's changing labor force, and the need for more deliberate, concerted and far-reaching economic and social policies to carry us into the 21st century.

By way of background, as you well know, Mr. Chairman, NCFE and FEAC have been the principal organizations uniting a broad coalition of civil rights, labor, religious, women's, business, and other community groups in behalf of a national commitment to full employment. NCFE conducts the research, policy development and educational activities on behalf of full employment issues among its constituent bodies. This research has included extensive analysis of recent and foreseeable labor market trends. Our educational activities have sought to dispel all too pervasive myths about the nature and extent of joblessness and underemployment in our economy. FEAC, on the other hand, proposes specific legislative initiatives, mobilizes political support in conjunction with other organizations, and stimulates debate on jobs and training issues during election campaigns.

Mr. Chairman, I want to commend you personally for your foresight and persistence in again tackling these important issues. In recent years, much has been made of economic competitiveness and technological change. Much has been made of the twin deficits on the budget and trade fronts. Much has been made of the need to preserve our free market system. And yet these issues have been used to explain away lower wages for working Americans, scale back domestic spending on investments in education, job training, job creation, and other "safety net" programs, and justify historically high levels of joblessness and underemployment. Finally, "free market" rhetoric distorts the reality of a "mixed economy," and seriously undermines both the fundamental role of the public sector and the importance of public policy to achieve the nation's goals.

The current Administration tells us that things are changing. We must become more competitive. Workers must be retrained. New products and markets must be developed. We must prepare for the 21st century.

In some respects, the Administration is correct. The nature of unemployment is changing. The demographics of our labor force are changing. The magnitude and characteristics of the kinds of jobs our economy is creating are changing. Our solutions to the problems posed by these changes must also change. Retrenchment from social progress, from active labor market policies and programs, from investments in education, training and job creation, from affirmative action, from economic growth here at home, is no solution at all.

The U.S. Department of Labor's "Workforce 2000" study[1] confirms the seriousness of the problems we face as we move rapidly to the year 2000, if current policies and level of effort continue. "Workforce 2000" foresees the continuation and in some cases deterioration of recent labor market trends. Its projected 7.0% unemployment rate for the year 2000 is in itself startling. (I should note this is a middle-ground forecast; the worst case scenario projects unemployment at 9.9%.) On other fronts and without wanting to embarrass the current Administration (of course), the "Workforce 2000" study points to several major problem areas which must be addressed:

- Minorities (nonwhite men and women) and new immigrants will comprise 42% of all new jobholders between now and the year 2000, in sharp contrast to their 14% share of existing jobs;
- While 40% of existing jobs fall into the lowest third of occupational skill classifications, barely a quarter of new jobs between now and 2000 can be so

classified. In fact, the report estimates more than half of all new jobs will require post-secondary education.

- At the same time, the report provides a conservative estimate of a 15% increase between 1973 and 1982 of our lowest paid workers.
- Women will continue to represent a growing share of the work force; while women hold 44% of all existing jobs, they are expected to fill 64% of all jobs created between now and 2000;
- Hispanics, black men, and black women are expected to face the greatest difficulties in the emerging job market; growth of the Hispanic labor force will be some 4 times greater than Hispanics' share of all new jobs; similarly, labor force growth for black women will be more than twice their share of new jobs, while black men will experience a much slower labor force growth rate, but will also benefit the least from new job creation.

These data are in and of themselves disturbing. NCFE's analysis of these and other data from official government sources, reveals an even more serious set of problems, which threatens America's standard of living and progress towards a more just, full employment society:

- **OFFICIAL UNEMPLOYMENT RATES HAVE BEEN RISING FOR MORE THAN 4 DECADES**, starting with 4.5% in the 1950's, 4.8% in the 1960's, 6.2% in the 1970's, and thus far at 7.7% in the 1980's.[2] ("Workforce 2000's" worst case scenario of 9.9% in 2000 projects a continuation of this trend.)
- **NCFE'S REAL RATE OF JOBLESSNESS AND UNDEREMPLOYMENT IN 1987 IS 20% HIGHER THAN IN 1979.** When discouraged workers (those whose job search has been fruitless and who are no longer counted) and involuntary part-time workers (who want but cannot find full-time jobs) are included, NCFE's "Real Rate" stood at 11.5% in 1987, in sharp contrast to 9.7% in 1979, the last full, non-recession year before the severe 1981-83 recession.

  This "real rate" (based on official government data) is substantially higher now (in spite of recent declines in the jobless rate to 1979 levels) primarily because of much higher levels of involuntary part-time work, which is a very conservative estimate of growing underemployment. Lower earnings (as discussed below) along with countless numbers of people working in jobs below their skill level and/or in "temporary" assignments are additional indicators of this serious problem.

- **THE RATE OF JOB GROWTH IS DOWN BY NEARLY A THIRD IN THE 1980's.** During the five year period of 1975 to 1980 (which was affected by both the 1973-75 and the 1980 recessions), the American economy grew by some 13.5 million net new jobs, or an average of 2.7 million per year. In contrast, from 1980 to 1987 (a seven year period), America's job creation machine generated only 13.1 million jobs, or 1.9 million annually, representing a rate of growth some 30 percent lower than in the last half of the 1970s. (If the nation's population growth rate in the 20 to 30 year old bracket had not slowed by 20 percent during the 1980s, today's unemployment rates would be even higher.)

- **THE DOWNWARD PRESSURE ON WAGES FROM INDUSTRIAL SHIFTS BETWEEN NOW AND THE YEAR 2000 WILL BE TWICE AS GREAT AS THE BENEFITS FROM SHIFTS TO HIGHER WAGE OCCUPATIONS DURING THIS PERIOD** (see Table 1).[3] This is a continuation of the trend established since 1979 when growth industries had averaged weekly earnings of $258, some 37% lower than declining industries at $402 per week (see Table 2).[4]

- **THE PROPORTION OF LOW-WAGE FULL-TIME EMPLOYMENT IS ON THE RISE.** Numerous studies, including work done by economists at the government's Bureau of Labor Statistics (BLS), point to increases in low-wage jobs.[5] For example, the number of new full-time, year round workers earning half the median wage for all workers fell by 10 percent between 1963 and 1973; but by 1978, the numbers of such workers rose by 12 percent, and since 1978, it has shot up by nearly a third.

  BLS economists also found that full-time employment rose 25 percent between 1975 and 1985; net new jobs in the bottom third of the income distribution accounted for 51% of the increase. This research documented long-term employment shifts into high-paying occupational categories (a widely reported trend since the 1981-1982 recession), but found a shift toward lower pay levels in each category. Further, it should be noted, higher-paying occupations employ fewer workers, and high rates of growth in these occupations are a misleading barometer of economic progress.

- **INVOLUNTARY PART-TIME EMPLOYMENT IS INCREASING.** The number of people working part-time who wanted full-time jobs but could not find them or who had been reduced to part-time schedules, accounted for 3.2 percent of the labor force, or 3.4 million workers in 1979, four years into the 1975-79 recovery period. By 1987, at a similar point in the recovery from the 1981-83 recession, 5.4 million, or 4.5 percent of the labor force (a 40% increase over 1979) were involuntarily in part-time jobs.

- **PART-TIME JOBS PAYING LOWER WAGES (AND HAVING FEWER BENEFITS) ARE GROWING FASTER THAN HIGHER WAGE, FULL-TIME JOBS.** Between 1979 and 1987, part-time employment with a median wage of $4.42 per hour grew at a rate of 22.6%, in marked contrast to the 16.1% share of full-time jobs added to the economy with hourly wages of $7.43. While comprehensive data is not available, it is generally accepted that part-time jobs are less likely to provide full health insurance, vacation pay, and other fringe benefits.

- **UNEMPLOYMENT IS LASTING LONGER.** The average duration of unemployment in 1986 stood at 14.5 weeks, up about 35 percent from the 10.8 week average in 1979. Similarly, while 20 percent of the unemployed were jobless more than 15 weeks in 1979, by 1987 more than 27 percent were without work for three months or longer, also a 35% increase. Men in the prime age categories and at the peaks of their earning power had the longest periods of joblessness in 1986: those 35-44 years old averaged 21 weeks, 45-54 years old averaged 24 weeks, and those 53-64 years old averaged 27 weeks.

- **EARNINGS FOR PRIME AGE MEN ARE FALLING, WHILE WAGES FOR WOMEN CONTINUE TO LAG FAR BEHIND.** Average ten-year real income gains for men passing from age 40 to age 50 fell by 14% between 1970 to 1983, in marked contrast to gains of 36% during the 1950's and 25% in the 1960's.[6] Women's earnings remain just 59% of those of men.

- **THE REASONS FOR UNEMPLOYMENT ARE CHANGING.** Profound structural shifts in the economy, rather than ups and downs in the business cycle, better explain much of today's joblessness. Between 1979 and 1986 the goods-producing sector of our economy, which accounts for the vast majority of our trade balances in global markets, suffered a net loss of nearly two million jobs. During this same period, BLS data reveal more than 12 million workers (half of whom had held their previous jobs for over three years) were displaced because of plant closings or permanent layoffs.

  In a study of the 1984 labor-force status of workers dislocated between 1979 and 1983, it was found that only 62 percent were employed, while 14 percent had left the labor force, and 25 percent were officially unemployed, more than three times the overall 8 percent unemployment rate for 1984. Moreover, two-thirds of dislocated workers had below-average earnings on their previous jobs. Manufacturing accounts for 42 percent of dislocated workers, and support industries, including transportation and wholesale trade, make up the balance. The highest rates of dislocation are in the South, the Plains states, and the Upper Midwest.

- **MINORITY AND FEMALE WORKERS EXPERIENCE THE GREATEST HARDSHIP FROM BUSINESS CLOSURES AND LAYOFFS.** While rates of economic dislocation are somewhat higher for minority workers (14 percent for Hispanics, 13 percent for blacks, and 12 percent for whites), the disproportionate impact on minority and female workers is seen in the duration of their joblessness and the subsequent fall in their wages. While the average male, blue-collar worker was unemployed after dislocation for 25 weeks, female blue-collar workers averaged 44.7 weeks, black, male blue collar workers were jobless for 55 weeks and black female blue-collar workers averaged an incredible 97 weeks. Earnings losses for both male and female blue collar workers averaged 16 percent, but women who lost white-collar or service jobs suffered nearly double the losses of their male counterparts in these occupations.

- **YOUTH JOBLESSNESS AND LACK OF PREPARATION FOR THE LABOR MARKET IS GETTING WORSE, EVEN THOUGH THE YOUTH POPULATION IS DECLINING.** While the number of 16-19 year olds fell by 14 percent between

1979 and 1986, the number of employed teens dropped by nearly 20 percent. For blacks and Hispanics the situation is worse. On average, in 1986 only 25 percent of black and 33 percent of Hispanic teens were at work, in contrast to 49 percent of white teens. Similarly, black and Hispanic teen unemployment rates (which mask lower labor-force participation rates) continued to be disproportionately higher in 1986, 39 percent and 25 percent respectively, compared with 16 percent for white youths. Education levels, moreover, do not explain these differences, as the unemployment rate for black high school graduates is 20 percent higher than that for white high school dropouts. This ongoing disparity may in some ways contribute to both lower labor-force participation rates for black teens (as they question the value of education) and dramatically higher dropout rates for both Hispanic and black high school students.[6]

- **EARNINGS FOR YOUNG ADULTS (AGES 20 TO 24) HAVE DROPPED SHARPLY IN THE LAST DECADE**: Between 1973 and 1984, real mean annual earning of 20 to 24 year old college graduates fell by 11.0%. This is disturbing in itself. Those with some college, however, had earnings losses of 26.1%; high school graduates fell by 30.1% and dropouts plunged by 41.6%. Blacks and Hispanics in this age group consistently experience declines in earnings from 20% to 125% greater than their white counterparts.[7] This is dramatic evidence of the virtual disappearance of higher paying, entry level jobs in our traditional goods-producing industries.

- **BASIC SKILLS DEFICIENCIES AMONG YOUNG PEOPLE ARE HIGHLY RELATED TO SCHOOL DROP-OUT RATES, LOWER EARNINGS, AND SLOWER RATES OF FAMILY FORMATION.** Those scoring at the lowest levels of the Armed Forces Qualification Test (AFQT) and other basic skills measures are several times more likely to have dropped out of school, experience lower earnings (see above) and to have "out-of-wedlock" births.[8]

Mr. Chairman, I know you and the committee will receive projections and analyses from other sources which paint a much brighter picture for our future. Much of these will be accomplished by statistical "magicry"; comparisons will be made from the trough of the last recession (1982) to the peak of our now somewhat sluggish recovery (1987). Indeed, while "Workforce 2000" sometimes skims the surface of our emerging problems, its data are accurate and do present a fair picture. "Workforce 2000", however, fall far short in the conclusions it reaches and the recommendations it makes. The "deindustrialization" of America is described in great detail. Its recommendations for improving productivity in the expanding service sector falls far short of the steps that are necessary to avoid a further assault on our standard of living and a widening gap between rich and poor, between the more affluent and educated and a growing minority population, between those with reason to hope and those on the brink of despair.

As you well know, Mr. Chairman, the willingness to tolerate even higher unemployment rates now and in the year 2000 is at odds not only with the nation's past achievements, but also its laws. In 1978, the Humphrey-Hawkins Full Employment and Balanced Growth Act was signed into law, establishing a national commitment to reduce unemployment to an interim goal of 4.0%. In addition, the act requires lawmakers to reduce and remove the gap between the overall unemployment rate and the rates for hard-hit groups. The blueprint embodied in Humphrey-Hawkins is as meaningful as needed and, perhaps, more realistic today as it was when it was introduced and enacted. A slowing of labor force growth in the 1980s and 1990s, both for women and particularly among young people, makes our task more feasible and our goal more attainable. Indeed, if labor force growth had not slowed by nearly a half in the 1980s, our economic growth today would give us an official unemployment rate in excess of 8%.

Humphrey-Hawkins calls on the President, the Congress, and the Federal Reserve Board to coordinate fiscal and monetary policies to spur private sector job creation, to invest in national needs, and when warranted, to establish public job creation programs. The failure to achieve the Act's mandates is a failure of political will, not of economic and social policy methodology. Contrary to the spirit and provisions of the Act, the current Administration has not even stipulated a time table for reducing official unemployment to 4%. Instead of establishing goals, forecasts are provided. Instead of a major assault on joblessness through more active and enlightened labor market policies and programs, training and support systems for the unemployed and underemployed have been scaled back. Instead of leadership, the Administration provides "schemes" for privatizing the employment service and "devolutionizing" responsibility for labor market systems to the states and localities. The nation must again assume a "can do" philosophy.

Let me hasten to add here that implementation and even strengthening of the Humphrey-Hawkins Act is both a moral imperative and common sense. The Congressional Budget Office estimates each percentage point of excess unemployment costs the U.S. Treasury 44 billion in lost tax revenues and payments for unemployment compensation and other social benefit programs. By this conservative measure alone, unemployment has added more than 900 billion to the Federal deficit in the 1980s, which does not take into account the effects of underemployment and the human costs of disrupted lives. Now, the ever-mounting federal deficit is being blamed for crises in our financial markets. Further cutbacks in domestic programs will not solve these problems, but rather add to our inability to compete effectively in the future and enhance the American standard of living.

Mr. Chairman, we would respectfully recommend that the Joint Economic Committee, and in particular this Subcommittee on Investment, Jobs and Prices, can help to reverse these trends and establish a new agenda for the nation. These hearings are a new beginning in that process. As you know, NCFE recently published a policy paper entitled "On the Road Again: A 6 Point Agenda Towards a Full Employment Society" to focus public debate during the 1988 election year on jobs and human investment issues. "On the Road Again" sets forth a comprehensive, long-term strategy for putting us back on the track that Humphrey-Hawkins established. With your permission, I am submitting a copy of this document for the record.

The political debate during the first half of this election year season has, in fact, focused a great deal of attention on jobs and America's economic future. NCFE's next task, drawing on the "Six Point Agenda," will be to develop a discrete set of proposals for action during the first year of the next Administration. The next Administration, either Democratic or Republican, will be under tremendous pressure to assume a radical and dangerous course of fiscal austerity. Indeed, the vast majority of candidates from both parties have presented a limited vision of their leadership capability on fiscal issues. These forces of austerity and scaling back the role of the public sector on both policy and programmatic fronts must be countered with a bold, new and imaginative assault on human resource and labor market problems. Labor market policies and programs must be restored and strengthened. New investments in education, job training and job creation must be launched. The United States' role in fighting poverty around the world and stimulating the economies of Third World countries must be reborn. Only then can they play a growing and just role in the global economy, leveling off our trade balances and strengthening the world economy.

We will propose to the next Administration, either Democratic or Republican, that it convene an economic summit between itself and the Congress to negotiate and devise a specific time table and strategy for pursuing the goals of Humphrey-Hawkins, for improving the quality of existing and new jobs, for investing in the skills and preparation of our workforce, and raising the standard of living for lower and middle income population groups. At the top of a limited list of domestic initiatives, which could be accomplished in the first year of the next Congress and Administration (from which we would choose specific legislative proposals), would be:

- **A DECENT INCOMES INITIATIVE**, including indexing the minimum wage, expanding the Earned Income Tax Credit, and establishing a national minimum public assistance benefit level.
- **A DECENT WORKPLACE INITIATIVE**, including paid maternity leave, parental leave, a national child care system, minimum health care benefits, and improved capacity of workers to organize and work in a safe and healthy environment.
- **A HUMAN INVESTMENT INITIATIVE**, including a doubling in size over five years of compensatory education programs for poor children, the Job Corps, the summer youth jobs and basic skills program, and post-secondary education programs for poor and minority youth. Within this category would also come a fundamental restructuring of the Job Training Partnership Act (with a more

balanced role for business) and the nation's Employment Service to reform performance standards to assure that job seekers are no longer shuffled in and out of poverty level jobs. (As the system improves in its capacity to move people out of poverty, it too would be doubled in size.)

- **A COMMUNITY DEVELOPMENT INITIATIVE**, including a doubling over five years of housing, infrastructure and environmental protection programs, with a critical assessment of the cost-benefit ratios associated with their impact on job creation versus other forms of public and private investments. Such programs must also be more clearly targeted on areas of greatest need, especially where joblessness and underemployment is high, and be supplemented by direct federal job creation for the long-term unemployed in transitional jobs at a decent and prevailing wage.

These initiatives are ambitious but doable, if the political will can be mustered and new leadership is forthcoming in 1989. Mr. Chairman and Members of the Committee, I thank you for the opportunity to present these views and make these recommendations. I would be pleased to answer any questions you might have.

Table 1

Effect of Industry and Occupational Shifts on Past and Future Earnings*

	1986-2000	1979-86	1973-79
Occupational Shift	0.6%	1.0%	0.6%
Industrial Shifts	-1.4	-1.4	-0.7

*The effect of employment shifts on the average wage.

Source: EPI analysis of BLS wage and employment data and BLS employment projections.*3

Table 2

Nonsupervisory Earnings in Expanding and Declining Industries*

	Average Hourly Earnings**	Average Weekly Earnings**
Expanding Industries	$7.70	$257.73
Contracting Industries	$9.93	$402.30
Ratio (2/1)	1.29	1.56

*Expanding and contracting defined by growing or declining shares of employment in 1979-85.
**Measured at 1985 wage levels.

Source: EPI analysis of BLS wage and employment data.* 4

Footnotes

1. "Workforce 2000: Work and Workers for the 21st Century," U.S. Department of Labor, published by the Hudson Institute, Inc., Indianapolis, Indiana, June 1987.
2. NCFE Analysis. All employment and unemployment data are from Employment and Earnings, Bureau of Labor Statistics, Department of Labor, U.S. Government Printing Office, January, 1988 and earlier issues.
3. Michel, Lawrence, Economic Policy Institute, Washington, DC, from forthcoming article to be published in the Monthly Labor Review.
4. Ibid.
5. Patrick McMahon and John Tschetter, "The Declining Middle Class: A Further Analysis," Monthly Labor Review, September, 1986, page 25.
6. Berlin, Gordon and Andrew Sarn, Toward a More Perfect Union: Basic Skills, Poor Families, and Our Economic Future, The Ford Foundation, New York, NY, February, 1988.
7. Ibid.
8. Ibid.

ON THE ROAD AGAIN...
A SIX POINT AGENDA
TOWARDS
A FULL EMPLOYMENT SOCIETY

WORKING DRAFT
December, 1987

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Introduction

The National Committee for Full Employment (NCFE), a public policy research and education organization focusing on national employment policy, recognizes that devising and implementing solutions to joblessness and underemployment requires comprehensive approaches involving all sectors of society. Analysis of social, economic and demographic trends reveals, furthermore, that the nature of unemployment has been both changing and poorly understood in the part. Ups and downs in the business cycle provide only partial explanations and have become less significant predictors of economic opportunity. Rapid internationalization of the economy and technological advancements, combined with fiscal crises and a broad retrenchment from public investments in human resource development and job creation in the last decade, have spurred new forms of structural unemployment and underemployment. These problems must be addressed.

NCFE, and its sister organization the Full Employment Action Council, believe political leadership and the will to take action both derive from broad public awareness of the issues and give impetus to broad public concern, The 1988 election season provides the opportunity to do both: the public can gain deeper insights into the nature of our employment problems and their solutions; candidates for national office can be challenged to demonstrate their knowledge of the nation's economic and social structure and to mobilize public support for their programs and policies.

Such leadership is now more crucial than ever. The Congressional Budget Office estimates each percentage point of excess unemployment costs the US Treasury $44 billion in lost tax revenues and payments for unemployment compensation and other social benefit programs. By this conservative measure alone, unemployment has added more than $900 billion to the federal deficit in the 1980's, which does not take into account the effects of underemployment and the human costs of disrupted lives. Now, the ever mounting federal deficit is being blamed for crises in our financial markets. Further cutbacks in domestic programs are being sought by some. Others seek to slow or halt military build up. Most avoid the revenue side of the equation. Few give substantive recognition to the need to invest in the future, in education and training, in job creation and labor market adjustment; in short, in our people and their potential.

As part of its contribution to this leadership development process, NCFE established an ad hoc working group of economists, employment, training and education experts, and religious, civil rights and labor leaders in November, 1986, to draft a series of policy and program recommendations on the means and methods necessary for moving the nation towards a full employment society. This policy recommendations document, "On the Road Again . . A Six Point Agenda Towards a Full Employment Society," has gone through seven drafts, has been reviewed by the NCFE Steering Committee and numerous other public interest organizations at each stage, and is now being published in working draft form and widely circulated to NCFE coalition members and their affiliates and others for comment and endorsement.

Simultaneously, the "Six Point Agenda . . ." is being submitted to all presidential candidates of both major political parties for their review and comment, along with a series of "Candidate Questions on Jobs and the Economy." Responses to the candidate questions will be published in early Spring, 1988.

This document has been developed to stimulate broader public debate and discussion on employment issues during the 1988 election year. Readers are encouraged to: share it with their colleagues, families and friends; provide their comments and suggestions; and finally, if they find themselves in general agreement with the substantive proposals and thrust of this "Six Point Agenda . . .", provide their individual and/or organizational endorsements.

In early Spring, 1988, this "Six Point Agenda . . ." will be published in final form, with organizational and individual endorsements, as a "1988 Bi-Partisan Platform Plank on Jobs and Joblessness" for submission to both major political parties.

Preface

American economic thought has gone through recurring cycles. Some periods reflect the preeminence of free enterprise and reliance on market forces to determine the path of growth; at other points what is stressed is an activist government that defines a common good and promotes the general welfare. The reality is that we have and always have had a "mixed economy," with varying, but important, roles for government, business, labor and a uniquely American nonprofit voluntary sector.

America's job creation machine and the labor market processes that make it run are no exception to the concept of a "mixed economy." From the earliest days of canal building to the massive investments in highway construction and space exploration two and three decades ago, and in military hardware during the first half of the 1980s, government has stimulated job growth. Similarly, the advent of free public education, land grant colleges, child labor laws, the eight-hour workday, the public employment service, the right to organize unions, the minimum wage, unemployment insurance, equal employment opportunity laws, occupational health and safety regulations, retraining to meet the changing demands of automation, and summer jobs coupled with remedial education for poor teenagers, are all examples of the advances (some modest) made in shaping the machinery of labor markets.

Americans, like many people around the world, define themselves in large measure by the work they do or want to do. For most, their job is the source of their family income. It is how and where they spend the majority of their waking hours as adults. It is their path to economic prosperity and security, to more leisure time and retirement, to carrying out their roles as parents and members of the community. For too many, it is also the source of failed expectations, lost hope, broken families, debilitating injuries and illness, a falling standard of living, and uncertainty, even fear, about the future. This has always been especially true during periods of economic recession.

In the last two decades, however, rapid technological transformations, globalization of market forces, and demographic changes have led to stagnant or falling income and substantial unemployment during the upswing, even at the peak of a recovery period. Economic recovery no longer means high-quality job growth, a rising standard of living, and a more equal distribution of economic opportunity. The 1981-1982 recession was the deepest and most shattering downturn since the 1930s. Some regions of the country and some urban and rural areas have yet to recover. Some industries perhaps never will. Some population groups simply languish, barely surviving.

Instead of hope, which usually accompanies an economic recovery period, there is uncertainty, at best, and a lowering of expectations. Fifteen years ago, today's level of unemployment and underemployment would have been regarded as intolerable. Through a series of peaks and valleys in the business cycle, decreases in unemployment rates have fallen short of previous lows, and the nation's threshold of economic pain has crept tragically upward.

Nine of the 10 highest annual unemployment rates since World War II have been reached in the last decade. Too many now wonder if 6-7 percent unemployment is not the best that our economy can achieve. The overall unemployment rate, however, is only part of the story. The rate and quality of job growth are on the decline. Duration of unemployment is longer. And our position in the world economy is more tenuous. Analysis of these and other trends yields the following findings.

- The rate of job growth is down by more than a third. Between 1975 and 1980, a period affected by both the 1973-1975 and the 1980 recessions, the American economy grew by some 13.5 million net new jobs, or an average of 2.7 million per year. In contrast, from 1980 to 1986, America's job creation machine generated only 10.3 million jobs, or 1.7 million annually, representing a rate of growth some 37 percent lower than in the last half of the 1970s. (If the nation's population growth rate in the 20 to 30 year old bracket had not slowed by 20 percent during the 1980s, today's unemployment rates would be even higher.)

- The proportion of low-wage full-time employment is on the rise. Numerous studies, including work done by economists at the government's Bureau of

Labor Statistics (BLS), point to increases in low-wage jobs. For example, the number of new full-time, year round workers earning half the median wage for all workers fell by 10 percent between 1963 and 1973; but by 1978, the numbers of such workers rose by 12 percent, and since 1978, it has shot up by nearly a third.

BLS economists also found that full-time employment rose 25 percent between 1975 and 1985; net new jobs in the bottom third of the income distribution accounted for 51% of the increase. This research documented long-term employment shifts into high-paying occupational categories (a widely reported trend since the 1981-1982 recession), but found a shift toward lower pay levels in each category. Further, it should be noted, high-paying occupations employ fewer workers, and high rates of growth in these occupations are a misleading barometer of economic progress.

- Involuntary part-time employment is increasing. The number of people working part-time who wanted full-time jobs but could not find them or who had been reduced to part-time schedules, accounted for 3.2 percent of the labor force, or 3.4 million workers in 1979, four years into the recovery period. By 1986, at a similar point in the recovery from the 1981-1982 recession, nearly 5.6 million, or 4.8 percent of the labor force (a substantial increase over 1979) were involuntarily in part-time jobs.

- Unemployment is lasting longer. The average duration of unemployment in 1986, stood at 15 weeks, up about 36 percent from the 11 week average in 1979. Similarly, while 20 percent of the unemployed were jobless more than 15 weeks in 1979, more than 27 percent were without work for more than three months by 1986. Men in the prime age categories and at the peaks of their earning power had the longest periods of joblessness in 1986: those 35-44 years old averaged 21 weeks, 45-54 years old averaged 24 weeks, and those 55-64 years old averaged 27 weeks.

- The reasons for unemployment are changing. Profound structural shifts in the economy, rather than ups and downs in the business cycle, better explain much of today's joblessness. Between 1979 and 1986 the goods-producing sector of our economy, which accounts for the vast majority of our trade balances in global markets, suffered a net loss of nearly two million jobs. During this same period, BLS data reveal more than 12 million workers (half of whom had held their previous jobs for over three years) were displaced because of plant closings or permanent layoffs.

  In a study of the 1984 labor-force status of workers dislocated between 1979 and 1983, it was found that only 62 percent were employed, while 14 percent had left the labor force, and 25 percent were officially unemployed, more than three times the overall 8 percent unemployment rate for 1984. Moreover, two-thirds of dislocated workers had below-average earnings on their previous jobs. Manufacturing accounts for 42 percent of dislocated workers, and support industries, including transportation and wholesale trade, make up the balance. The highest rates of dislocation are in the South, the Plains states, and the Upper Midwest.

- Minority and female workers experience the greatest hardship from business closures and layoffs. While rates of economic dislocation are somewhat higher for minority workers (14 percent for Hispanics, 13 percent for blacks, and 12 percent for whites), the disproportionate impact on minority and female workers is seen in the duration of their joblessness and the subsequent fall in their wages. While the average male, blue-collar worker was unemployed after dislocation for 25 weeks, female blue-collar workers averaged 44.7 weeks, black, male blue collar workers were jobless for 55 weeks and black female blue-collar workers averaged an incredible 97 weeks. Earnings losses for both male and female blue collar workers averaged 16 percent, but women who lost white-collar or service jobs suffered nearly double the losses of their male counterparts in these occupations.

- Joblessness and lack of preparation for the labor market among young people is getting worse, even though the youth population is declining. While the number of 16-19 year-olds fell by 14 percent between 1979 and 1986, the number of employed teens dropped by nearly 20 percent. For blacks and Hispanics the situation is worse. On average, in 1986 only 25 percent of black and 33 percent of Hispanic teens were at work, in contrast to 49 percent of white teens. Similarly, black and Hispanic teen unemployment rates (which mask lower labor-force participation rates) continued to be disproportionately higher in 1986, 39 percent and 25 percent respectively, compared with 16 percent for white youths. Education levels, moreover, do not explain these differences, as the unemployment rate for black high school graduates is 20 percent higher than that for white high school dropouts. This ongoing disparity may in some ways contribute to both lower labor-force participation rates for black teens as they question the value of education, and dramatically higher dropout rates for both Hispanic and black high school students.

These problems, however pervasive and sometimes disheartening, do have their solutions. In point of fact, many of them would be much more severe if it were not for current efforts in the public, private and voluntary sectors. The policy recommendations outlined below acknowledge the importance of many current efforts. The last decade, however, has been one of massive governmental retrenchment, where national leadership on the domestic social and economic fronts has been penny-wise and pound foolish. This "Six Point Agenda Towards a Full Employment Society," developed by the National Committee for Full Employment (NCFE) in anticipation of renewed public debate during the 1988 election campaigns, can put the nation "on the road again" to a more just and productive economic future.

INVESTING IN HUMAN RESOURCES AND STRENGTHENING LABOR MARKET INSTITUTIONS

1. Preparing the Future Generation

America's economic future depends on how well we prepare future generations for the world of work. NCFE recommends policies and programs which reaffirm the nation's commitment to equal education opportunity and promote the acquisition of basic skills (reading, math and oral communication) that make advanced training possible.

- Federal funds should be restored for education programs of proven effectiveness, including Chapter 1 in elementary schools, handicapped and bilingual education, Head Start, Job Corps, and magnet schools.

- Community based organizations (CBO's) of demonstrated effectiveness provide a unique and critical linkage between economically disadvantaged individuals and opportunities for employment preparation and work experience. Federal, state and local governments should therefore make greater efforts to utilize CBOs in service delivery systems to reach underserved population groups.

- Additional federal funds should be provided for remedial education programs in middle schools and high schools, and for dropout prevention and recovery programs. A nationwide "Stay-in-School" program to reduce high school dropout rates should be launched, providing jobs (part-time during the school year and full-time in the summer) to disadvantaged teenagers contingent on school attendance and acquisition of basic skills. Particular attention should be focused on young people who are already parents; those who have had multiple foster care placements; those who have special needs because of disability, neglect or abuse; and those who are at risk of dropping out because they are performing below grade level.

- The federal government should commit itself to guaranteeing access to post-secondary education by restoring and expanding student assistance, particularly TRIO programs (Upward Bound, Educational Opportunity Centers and Talent Search), grants, and services to older and returning students. Alternative ways to increase black and Hispanic enrollment and retention at the post-secondary level, and to contain student indebtedness and college costs at public institutions should be experimented with and explored.

- Additional funding at the federal, state and local levels should be allocated for cooperative education programs that help young people make the transition from secondary and post-secondary education to work by integrating part-time work experience into related academic curricula.

2. Strengthening Labor Market Institutions and Easing Economic Transition

Broad education policies and investments must be supplemented by targeted programs to assist groups that bear a disproportionate burden of unemployment, are discriminated against, or for other reasons cannot compete successfully for jobs. These programs should be locally designed and managed, with appropriate federal oversight and provision of technical assistance to assure that model programs of demonstrated effectiveness are adapted and replicated across the nation. Current programs serve between 3-5 percent of the populations in need of assistance.

With over 2 million jobs lost each year to plant closings, permanent layoffs, and farm foreclosures, federal action is urgently needed. NCFE recommends policies and programs to avert such massive dislocation wherever possible, and to reduce the burden of transition on displaced workers.

- A Careers Investment Initiative should be launched with existing federal funding and matching state, local and private financing for job training; existing funds should be expanded and consolidated under tri-partite boards to provide the unemployed and underemployed with education and job-readiness skills necessary to meet the requirements of new technical, professional and skilled occupations. Special attention should be given to occupations in basic manufacturing, agricultural, mining and construction, and service industries, which support the goods producing sector, with emphasis on strengthening vocational and technical schools, land grant colleges and extension services, and schools of engineering and science. Income supports should be provided to students and trainees on the basis of need and contingent on performance.

- A new Workplace 2000 Initiative with federal support and matching state, local and employer financing should be launched to strengthen in-plant and agricultural, on-the-job training to help current workers upgrade skills and adjust to anticipated changes in technology.

- Large and medium-sized firms should be required to give employees and affected communities advance notice of a business closing or mass layoff. Federally funded "rapid response teams" supported by an "early warning system" in each state should coordinate assistance to displaced workers at the worksite, wherever possible. Services to displaced workers should include job counseling, training and income support during retraining and should be closely linked with the Careers Investment and Workplace 2000 Initiatives. Firms in danger of closing should be encouraged to consult with workers and state and local governments to explore alternatives to permanent layoffs or facility closings.

- Existing equal employment opportunity (EEO) laws and executive orders, which can dramatically increase access to a changing labor market, including affirmative action plans and federal contract compliance efforts, need to be strengthened and vigorously enforced, with adherence to goals and timetables for minorities, women, the older worker, the disabled and others who have historically been excluded.

3. Protecting Family Income and the Ability to Adapt to Changing Labor Markets

Federal policies and programs have long played a significant role in raising the incomes of American workers and improving the quality of their lives. In recent years, however, as federal protections have eroded, incomes have fallen and inequities have grown. At the same time, as the number of women participating in the labor force has been growing and their participation has become vital to the economic stability of the family and American consumption patterns, areas like child care, parental leave and wage discrimination have been virtually ignored or mired in controversy. The results are both hardship for families and rising numbers of children at risk of growing up in poverty, their personal development stunted.

NCFE recommendations seek to address these family issues and also assure a more equitable shouldering of the burden of hard times and fairer sharing of the abundance of economic prosperity to come.

- A national child care and parental leave policy must be forged. Only significant federal support can assure the adequate, affordable child care needed to support working families, especially single-parent families. Only federal standards for parental leave will assure their existence and mitigate against the whims of the marketplace. Funds should be increased for the Title XX Social Services Block Grant program; its scope should be broadened to include middle-income families; a portion of Title XX funds should be set aside specifically for children. Federal funding should be expanded for after-school care, child care for adolescent mothers, training and certification for caregivers, and information, referral and resource programs development. Incentive funds should be provided for community institutions, ranging from public housing authorities to school systems, to provide child care at reasonable cost and convenient locations. In like manner, incentive funds should be made available for the start-up of employer-based child care facilities.
- The unemployment insurance system should be restored and strengthened; it is

the laid-off worker's first line of defense. The taxable wage base should be raised to 65 percent of the average annual wage to assure adequate funding. Benefit levels should be raised to two-thirds of the beneficiary's previous wages, with a cap of 75 percent of the state's average wage. In states and areas undergoing massive economic change and excess unemployment, benefits coupled with retraining and adjustment services should be available for up to two years.

- The sharp drop in the real value of the minimum wage over the last decade should be reversed by raising the minimum wage to 50 percent of the average hourly wage in private industry. The increase should be accomplished in three steps to minimize any disruptive effects. Thereafter, the minimum wage should be indexed to inflation to prevent it from slipping in the future.
- A renewed commitment to equal opportunity is necessary to end all forms of economic discrimination, including wage discrimination, job segregation, and systematic undervaluation of work performed primarily by women and minorities. Existing laws should be vigorously enforced, including adherence to goals and timetables. New legislation should expand the principle of equal pay to include equal pay for work requiring comparable output, skill, effort and responsibility.

4. Direct Federal Job Creation: Meeting Community Needs and Providing Transitional Relief

Persistent high unemployment rates, particularly in some communities and areas of the country, mean that education, training and other investments in human resource development will have only limited short term benefits for many of the people who are served by these efforts. State governments have increasingly recognized the need to spur private sector job creation in recent years and have initiated a variety of economic development partnerships and similar programs. In some instances, education and training institutions and programs can be more effectively linked to publicly sponsored economic development efforts. These economic development initiatives can also be held more directly accountable for the actual numbers and quality of jobs which have been promised. Those deemed successful can and should be expanded. Experience also teaches us, however, these initiatives take many years to yield significant results.

In the interim, government cannot continue to ignore its responsibilities on the job creation front. To do so perpetuates the "revolving door" nature of training and retraining programs in some labor markets, which simply do not have enough decent paying year-round, full time jobs, and for some population groups which lack appropriate previous work experience to demonstrate their capabilities.

This vacuum on the job creation front also ignores needed community services, which government and non-profit organizations could be providing, and further postpones attention to maintaining and developing our physical, public infrastructure. NCFE's recommendations give recognition to needs which free market forces in the public, private and voluntary sectors are often either slow to respond to or cannot do so without national leadership.

- A Fresh Start Program should be launched with people working at entry-level wages for up to one year performing needed community services at the state and local levels in areas such as public safety, health care, libraries, child care, education, social services, and energy conservation. Sufficient federal funds should be available to employ up to 20 percent of those who have lost jobs or are seeking reentry or initial entry into the labor force. Further, these jobs should provide at least one day per week for structured remedial education, related occupational skills training, and job search activities.
- An Infrastructure Investment Initiative would address the widespread deterioration of many public facilities, including bridges, water and sewer systems, transit systems, ports and libraries, public housing and short term shelters, and other public buildings. Major restoration and repair work is needed. In addition, needed public works projects in many areas should be created. Primarily private contractors would perform the work under the guidance of appropriate government agencies. Because of the start-up time involved in many such projects, a "shelf" of public works should be developed at all levels of government to facilitate the implementation of an infrastructure repair and rebuilding effort. A combined federal-state-local funding approach (similar to the federal highway trust fund) should be developed and consolidated.

5. The Federal Reserve, Responsible Monetary Policy and Inflation

The existing economic policy-making system leaves monetary decisions in the hands of the Federal Reserve Board (FRB). Without adequate structural accountability, the FRB's actions are frequently in conflict with the nation's social policy and have consistently sacrificed employment to the fight against inflation.

Beset by rising inflation in the 1970s, higher unemployment has become the chief economic tool to achieve lower inflation, and in the 1980s is credited, in part, with reducing inflation. But are we better off? American workers are suffering declines in real wages because wage gains have not kept pace with even these recent low rates of inflation. Real compensation per hour fell one percent since the late 1970s. During the same time, productivity rose by more than seven percent. Thus, low inflation rates did not lead to income gains for workers even though there have been productivity gains. Some major economists express concern that falling unemployment rates and the possibility of rising inflation signal a renewed inflationary trend. Their priorities are skewed, however; generating employment and income growth commensurate with productivity growth ought to be the primary concern.

The NCFE recommends:

- The FRB's membership more evenly reflect major sectors of the economy, and that its fiscal and monetary policies work in harmony with Congress and the goal of a full employment economy. NCFE rejects the use of unemployment and recession or restricted growth as the chief weapons against inflation on both moral and economic grounds. Anti-inflation strategies should be directed at root causes: the specific sectors of the economy that account for the bulk of the inflationary pressures.
- Key elements of an anti-inflation program should include sound energy policies to foster independence from foreign oil and its manipulated pricing, vigorous efforts to expand and upgrade the housing supply in order to relieve the inflationary pressure created by housing shortages, and a firm commitment to health care cost containment.
- Adequate funding should be allocated to the Justice Department's Anti-Trust Division, the Federal Trade Commission (FTC), Securities Exchange Commission (SEC) and other responsible federal agencies so they can effectively guard against abuses of market power, such as price-fixing, in sectors of the economy with highly concentrated ownership. Further, corporate mergers and acquisitions, coupled with largely unregulated multi-national corporations, often represent an enormous wastage of potential productive capital, wreck havoc in the lives of millions of Americans, and sometimes result in unwarranted price structure

6. Planning for the Future and Maximizing Our Resources: Competitiveness in Our Global Economy

Compared with our economic rivals, American investors, managers, workers and government officials have been woefully shortsighted. The sorry results are evident in our deteriorated international competitive position and our declining living standards. The predatory practices of some established and newly industrialized countries can no longer be tolerated in the name of "free markets" which are anything but free, let alone fair.

Our national goal remains to maintain and enhance our standard of living- a goal which has been made infinitely more complex and difficult by the challenges of global competition. First, we must realize that achieving a greater capability to compete is not an end in itself, but a means to preserve and improve our standard of living while creating opportunities for less developed countries to expand their own. Secondly, we must be aware that achieving competitiveness involves improving our international economic arrangements. We must develop a strong, modernized system of international trade law that is capable of meeting our needs in an increasingly challenging world. We must assure ourselves of the ability to deal with unfair trade, and with the disruptions caused by sectoral surges. Where bilateral trade deficits are too high, we must have the means to deal with them directly. And we have a right and obligation to require our trading partners to observe internationally accepted labor standards.

The NCFE recommends cooperative strategies toward a revitalized economy:

- A broadly representative Council for Economic Progress, representing the labor, business, government and public-interest sectors should develop coordinated, long-run economic plans, balancing the needs and interests of each group. The council and its subgroups should assess trends in specific sectors of the economy, and on the international trade front, how public policy affects these trends, and their impact on individuals and communities. Its economic plans should guide federal budget priorities, identifying strategic investments in physical infrastructure and human capital needed to advance long-range objectives. The Council would also provide the business sector with better information so that it could more effectively plan for future markets and production demands.
- In view of depressed farm prices and purchasing power, the collapse of

farmland values, a 50 year high in farm foreclosures and liquidations, the decline in agricultural export earnings and the record treasury outlays, our nation's agricultural policy needs special attention by the Council for Economic Progress. The Council should pursue a policy of "managed abundance" which would assure the production of sufficient goods to meet the needs of the nation, but avoid the production of surpluses that have no visible markets and which bankrupt producers and endanger needed farm productive capacity. Such new policies and programs should sustain the family farm structure of American agriculture, benefitting consumers and U.S. industries. An overall farm and food policy also needs to concern itself with demand expansion, since a significant cause of the farm economic crisis is related to widespread poverty, high unemployment and a stagnant American standard of living.

A. 1988 Presidential Candidate Questions

An NCFER policy paper, "On the Road Again: A Six Point Agenda Towards a Full Employment Society", is being provided to each Presidential Candidate for their review and comment. The questions below address major issues covered in the "Six Point Agenda ...."

Candidates are asked to provide written responses of 100 words or less to each question. Candidate responses will be published in early 1988 and widely disseminated to NCFE coalition members and their affiliates across the nation.

1. Should signs of an impending recession appear on the economic horizon before or early in your administration, what steps are you prepared to take to avoid a severe recession and to ease the burden of unemployment and income loss on American families? What standby authority does the President need to respond to this situation?

2. Even in a booming economy, some population groups, industries and regions of the country experience labor market problems. What policies and programs are necessary in these instances?

3. What policies and programs are you prepared to initiate to prepare the nation's youth for the future workforce. How will you specifically aid minority and poor youth in the nation's inner cities and depressed rural areas?

4. National public opinion polls from various sources show Americans are concerned about a range of employment issues, including the eroding value of the minimum wage, the need for parental leave and adequate health insurance coverage, and dissatification with pensions, job security, and workplace safety. Where do you stand on these issues and what will your administration do to restore credibility and predictability to people's perception of their economic future?

5. In your mind, what is the relationship between unemployment, inflation, and monetary policy?

6. How would you define a full employment society?

B. Endorsements

This document has been developed to stimulate broader public debate and discussion on employment issues during the 1988 election year. Readers are encouraged to: share it with their colleagues, families and friends; provide their comments and suggestions; and finally, if they find themselves in general agreement with the substantive proposals and thrust of this "Six Point Agenda . . .", provide their individual and/or organizational endorsements.

In early Spring, 1988, this "Six Point Agenda . . ." will be published in final form, with organizational and individual endorsements, as a "1988 Bi-Partisan Platform Plank on Jobs and Joblessness" for submission to both major political parties.

Representative **Hawkins**. The next and final witness is Mr. Stuart Tucker. Mr. Tucker is a fellow at the Overseas Development Council. He is coeditor of ODC's recent publication "Growth, Exports, & Jobs in a Changing World Economy: Agenda 1988." He has been a research consultant for the Inter-American Development Bank, the Urban Institute, and the Roosevelt Center for American Policy Studies. He has written on U.S. international trade policy, including the linkage between the debt crisis and U.S. exports and jobs, the impact of the U.S. Caribbean Basin initiative, the U.S. agricultural trade policy and the role of tariffs and nontariff barriers and credits in U.S. trade policy.

Mr. Tucker, we are delighted to welcome you.

STATEMENT OF STUART K. TUCKER, FELLOW, OVERSEAS DEVELOPMENT COUNCIL

Mr. **Tucker**. Thank you. The prepared statement that I have submitted is substantially brief but, I think, concise and very thorough review of the basic conclusions from the study that you mentioned that I coedited with Mr. John Sewell, "Growth, Exports, & Jobs in a Changing World Economy: Agenda 1988." What I would like to do today is simply highlight the key aspects of those conclusions as it relates to the agenda of these hearings and to reinforce much of what my colleagues have already said and to point to one aspect that I think hasn't yet been mentioned.

The first main concern that we have here is that there has been this portrayal of a short-term success in the last portion of the 1980's. In fact, many of the witnesses have already mentioned the underlying weaknesses of those successes, and I would like to point out that one of the biggest weaknesses is the U.S. trade deficit.

In doing the study we put together some projections as to how we could correct the U.S. trade deficit and how that would eventually relate to U.S. growth, exports, and jobs.

The one thing that was most disturbing about this set of projections was that the conventional wisdom we have been hearing around town falls way short. As Mr. Lawrence has said, we need roughly 10 percent per year export growth over the next short-term period, 4 to 8 years, perhaps.

The conventional wisdom says we can obtain that growth by having strong growth in our main industrial country partners, Japan and Western Europe. We found this so-called truth to be absolutely incorrect. There is insufficient demand in those markets for our goods to maintain a strong U.S. export growth rate.

Therefore, we did some more projections to find out what further we had to do. Dropping the value of the dollar certainly is one aspect of that; getting our macroeconomic policies correct in terms of the budget deficit is another major aspect.

But the one thing that hasn't been mentioned in most discussions and we found to be very important if we are to keep this economy going is to support growth in the Third World. Without that growth, our projections show that the U.S. trade deficit after the next 4 years, during the term of the next President, the trade deficit will still be substantially high. By 1992, without growth in the Third World, we are going to see such pressures on our own debt situation that foreign creditors would have an absolute stranglehold over decisionmaking in this country, and interest rates, inflation and all the other factors in U.S. macroeconomic situations would be in effect held hostage to foreign capital interests.

This obviously is not in the interest of the U.S. economy. So in the next several years we have to radically correct our policies to change the U.S. trade deficit in order that we can determine our own economic fate.

To do that we need the assistance of the Third World, those developing countries who right now largely are facing very low growth rates because of a debt crisis. Back in the 1970's they provided the major dynamic force in the world economy. To recapture those countries as the major driving force in growth in this world economy we need to do a number of things. We have outlined them in the book and I am not going to go into any detail. But the point is that we need substantial growth there, and that is going to require substantially different action on debt management worldwide.

The book that we wrote largely has a long-term focus. We only did those projections to take a look at where we are going, and how we are going to get from here to there. Once we get to there, that is, the mid-1990's, how is this economy going to survive beyond that? Moreover, are we going to be competitive?

The book we commissioned largely looks at those long-term issues: Technological change and high tech industries; service job growth; and agricultural competitiveness in a growing world agricultural glut. Several other sectors were also reviewed.

One of the chapters that was provided to us dealt with the world labor market. We see the same story emerging there, that in effect job creation in this country may be under substantial pressure but it is in even worse shape in the Third World where that growth must come from.

If we are going to see those countries grow and provide substantial demand for world market goods, we are going to have to see substantial growth in job creation in those countries as well. Over the next 15 to 20 years we need to see roughly 600 million jobs created in developing countries just to keep their current unemployment and underemployment rates stable, which, I might add, are extremely high. Already 40 to 50 percent of the Third World's work force is underemployed or unemployed, and by underemployed I mean the typical things we have heard about already in this hearing, someone taking a job at a wage half of what they are really capable of providing to their economy. Or even less. So the long-term concerns also focus job creation in the Third World.

This brings up the question, what does technology have to do with job creation? One of the things that has already been mentioned by the commissioner of the Bureau of Labor Statistics is that this economy is going to run into some severe resource constraints on the labor side. We in effect are not producing enough skilled employees for some of the high technology jobs that will be created in the future. Furthermore, our own population growth rate is relatively low. We are not going to be seeing substantial amounts of labor force growth rate in the future.

But our study does point to something that Mr. Anderson has mentioned, and that is that we are going to increasingly see that the low end of the job market is having trouble finding jobs, that in effect they don't have the skills for the future world market, and they don't have the skills necessary for U.S. production in a competitive world situation. And, therefore, we are going to be in a situation where out labor market is increasingly becoming bifurcated or dualistic. We will have a separated, dualistic market with part of the workers in very skilled positions, well trained, capable of adapting to new work situations, shifting jobs easily.

On the other side you have a significant portion of our work force, including a large portion of blacks, Hispanics and women, not having the skills necessary to take on the tasks of industry in the future. Therefore, we find that the U.S. has to take a look at this long-range situation and begin to act now.

While we do have the short-term considerations of the U.S. trade deficit to rectify, we cannot postpone action on the long-term front while we deal with those short-term issues.

We need to begin to move rapidly on labor force education issues, on trade adjustment assistance, on a whole range of issues, some of which have been outlined in the policy actions that I have mentioned here.

Research and development, for instance, is a very important part of labor productivity in this economy, and we are beginning to lag behind compared to previous decades.

Immigration policies. As I mentioned, we are not having the labor force growth rate of many other countries. We are going to be faced with the decision as to how many people to let into this country, some of them skilled, some of them unskilled. We need to be careful that this doesn't hurt our own work force, but we also have to recognize that is an important resource that we can draw upon for our own productivity in the future.

Finally, we must be concerned with labor rights in the Third World, because if we are going to see job creation have an important impact upon income growth and demand for world goods in these countries, we must have some sort of distribution of income and labor across a broad front, and labor rights are an important aspect of that.

I would just conclude by noting that our study reinforces perhaps an adage that we have been pushing for a long time but one that I don't think has been heard enough, and that is that this country's own self-interests are fundamentally tied to development in the Third World and that we need to see how the U.S. can play a leadership role in fostering growth in those developing countries. Thank you.

[The joint prepared statement of Mr. Sewell and Mr. Tucker follows:]

JOINT PREPARED STATEMENT OF JOHN W. SEWELL AND STUART K. TUCKER

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"Growth, Exports, & Jobs"

I am pleased to speak with you today about domestic and international labor force trends in the coming decades and the implications for U.S. policy. Our testimony is drawn from the Overseas Development Council's recent publication, *Growth, Exports, & Jobs in a Changing World Economy: Agenda 1988*, which was co-edited by John W. Sewell and Stuart K. Tucker and was published in February, 1988.[1] The main conclusions of the *Agenda 1988* are that the Administration that takes office in 1989 will face a situation without precedent in the post-1945 period. Like many developing countries, the United States has to balance its trade accounts, service its foreign debt, and rebuild its industrial base. At the same time, the structure of the U.S. economy is rapidly changing due to technological advances. These changes must be taken into account in discussing future labor trends. The challenge is twofold--requiring near-term as well as long-term policies.

The Dual Challenge of Managing the Economic Crisis and Technological Change

The immediate task is to restore the health of the global economy and the international economic position of the United States by taking the lead in devising measures to support renewed global growth, especially rapid growth in the developing countries. To do so, in the short run, the United States must increase its exports, restrain the growth of its imports, increase national savings, and service its mounting debt.

Our current macroeconomic difficulties are superimposed on longer-term trends of low productivity growth, the attenuation of the U.S. technological lead in several industries, and intensified competition from both industrial and developing countries. The world is on the threshold of a new Industrial Revolution. Rapid technological advances are radically changing the familiar economic relationships between developed and developing nations. The United States must step up investment in new technologies and new forms of industrial organization in order to reap the benefits of far-reaching technological changes taking place in production throughout the world. The kinds of policies needed to adjust to these technology-driven changes--policies on education, training, research and development, and investment in innovation--generally have long lead times and, therefore, must be adopted quickly if they are to further long-term U.S. interests.

In the next four years, the United States must proceed on both of these fronts at the same time. International competitiveness and increased exports in the next decade will depend on the successful management of these priorities through conscious national effort.

The Vital Role of Developing Countries

For the remainder of this century and beyond, the economic welfare of the United States will be increasingly linked to developments in the global economy, especially in the developing countries--the most dynamic "player" in the world economy. Policies designed to recapture competitiveness and increase U.S. exports, jobs, and economic growth are going to have to take into account growth, or the lack of it, not only in other industrial countries but also in the developing countries. Heretofore, most analysts have largely ignored the role that the developing countries play in the U.S. economy, and there is little understanding of the extent to which resumed growth in the developing countries could create significant export opportunities for the United States in the 1990s and thereby improve its international economic position.

In the last decade, a number of developing countries became major U.S. export markets as well as important U.S. competitors. The emergence

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of the developing countries as important participants in the international economy occurred as economic linkages between all countries grew stronger. For the United States, this increased interdependence was a new development. U.S. imports and exports to the developing countries grew at 6-7 per cent a year, much more rapidly than exports to traditional U.S. trading partners in the industrial world. By 1981, the developing countries were purchasing 41 percent of U.S. exports, a greater share than Europe and Japan combined.

The experience of the last decade and a half demonstrated not only the benefits but also the risks of the new importance of the developing countries to the U.S. economy, however. With the onset of global recession in the early 1980s, growth rates in the industrial world fell, interest rates soared, and developing-country growth came to a halt. U.S. exports to the developing countries dropped from $88 billion in 1980 to $75 billion in 1986. If U.S. exports had grown in the early 1980s at the rate they did in the 1970s, they would have totaled $150 billion in 1986 (see figure 1).

The employment effects of international trade have become important political issues because of the secular rise in unemployment during the 1970s and 1980s. This was underscored by the increased share of Third World exports bought by the United States during this period. However, careful analysis indicates that, on balance, North-South trade has resulted in net job gains for the North. A very thorough input-output study of the employment effects of North-South manufacturing trade by the

United Nations Industrial Development Organization (UNIDO) confirmed these findings (see figure 2).[2] U.S. industries found large gains in some high-value-added sectors and losses in low-value-added sectors. Most of the U.S. job losses linked to trade with the developing nations have been due to a loss of exports, not to an inordinate surge in imports.[3] The direct decline of exports to the developing countries between 1980 and 1985 resulted in a loss of about 650,000 jobs in the United States. Adding in the potential jobs that were never created due to the lack of export growth, the total actual and potential employment loss amounted to about 1.7 million jobs, or nearly 21 per cent of total official unemployment in 1986.[4]

The Short-term Challenge: Reducing the Trade Deficit

Trade projections recently prepared by the Overseas Development Council and published in Agenda 1988 underscore the importance of the middle-income developing nations in improving the U.S. trade deficit in the next 5 years (see table 1). If trends evident in the beginning of 1987 had continued, the deficit would be roughly $200 billion (scenario A). The projections show that resumed growth in the industrial countries will be necessary but not by itself sufficient to increase U.S. exports and reduce the U.S. trade deficit to manageable proportions. High growth in industrial countries will yield a U.S. trade deficit larger than $110 billion in 1992 (scenario B in table 1). Sustained and rapid growth in the middle-income developing countries will have to play a key role. If, in addition to strong industrial-country growth, growth levels in the developing countries approach the levels of the 1970s and the pattern of negative resource flows to developing countries is reversed, the deficit may be as low as $70-80 billion (scenarios C and D).[5]

Contrary to the trade debate raging, U.S. trade problems with the developing countries are more the result of the current Third World debt predicament and weakened developing-country import capacity than to either unfair practices, or to any fundamental (non-exchange rate-related) decline in U.S. competitiveness. The key element in solving U.S. trade balance problems is to support growth in these developing countries. The only other way the trade deficit would improve is through import compression caused by a U.S. recession (scenario E shows the effects of a mild U.S. recession in 1989-90). This is the most painful way to reduce the trade deficit--and indisputably politically inadvisable.

The Long-Term Challenge: The Technological Revolution

Technological developments such as qualitative advances in information processing, CAD/CAM, industrial robots, and new high-speed global communications networks, in addition to changes in industrial organization pioneered by the Japanese, are contributing to fundamental shifts in relations between the United States and the developing countries. With the appropriate policies, these new developments in technology could enable the United States to greatly strengthen its international economic position in relation to both developed and developing countries in the next decade. Furthermore, these developments, if properly understood and anticipated by policymakers, can strengthen a considerable number of developing countries--an outcome in the economic and political interests of the United States.

All of the technological changes underway, and their implications, are still very unclear at this time. The key point is that production and job outcomes will not be determined by technologies alone. The right policies can make an enormous difference. In the long-run, "technological capacity" will be an important determinant of a country's ability to compete (see table 2).[6]

Global Labor Force Trends

The new production techniques created by changing technologies will have a large impact upon labor. The skills that the next generation will find necessary to run the companies of tomorrow will be different and will evolve more quickly than those of the past generation. Not only will education have to evolve, but there will be a greater emphasis on retraining throughout a lifetime.

On the positive side, the new technologies hold out the hope that stronger income growth can be achieved, making the absorption of new entrants into the labor force possible. However, before this takes place, production modes and location decisions will have to adapt to the realities of the global labor force trends summarized below.[7]

Developing Countries. Between 1985 and 2025, about 95 per cent of the expected world population growth of 3.4 billion will take place in the developing countries. From an economic and labor market perspective, one of the most important differences between the developed and developing countries is the number of workers in the young adult category, between the ages of 20 and 40. Between 1985 and 2005, all of the net increase in the world's population in this age group will be in the Third World. The industrial countries will actually have 14 million fewer people in this age group in 2005 than in 1985 (see table 3 and figure 3). These trends will greatly exacerbate the negative employment situation in developing countries caused by stagnation in the world economy in the 1980s. Currently, the combined unemployment and underemployment rate is running at 40-50 per cent. In the next two decades, at least 600 million new jobs—more than the current total number of jobs in all the industrial market economies--will have to be created just to accommodate the new entrants into the labor force who are already alive today. This does not include the job creation necessary to reduce the unemployment-underemployment rate!

The United States. The rate of growth of the U.S. population and labor force will slow in the next decade. The growth of the labor force is expected to slow such that 15.6 million people are added in the 1990s. Women, minorities and immigrants, however, will account for 80 per cent of the net additions to the workforce between now and the turn of the century. By the year 2000, women and minorities will account for about 63 per cent of the labor force. Immigrants will grow by 600,000 people per year through 2000, and add more than 6 million to the workforce.

Given these trends in developed and developing countries (especially the increase in migration to the United States from Latin America) the central employment problem in the United States at the turn of the century will be how to deal with deep pockets of structural unemployment, particularly among minorities and immigrants. Many jobs at the turn of the century will probably require higher levels of education and skills than today's jobs, even in the service sector (see table 4). A shortage of skilled, educated workers and an oversupply of unskilled uneducated workers will increase unemployment overall. A surplus of uneducated and untrained workers may depress wages and working conditions of low-wage American workers, as well.

The competitiveness of the U.S. labor force in the 21st century will largely be a function of our ability to assimilate and train unskilled workers, and adapt them to quickly changing technologies. Unless we want to secure comparative advantage through lower wages, we will need to implement policies designed to deal with these trends in the workforce.

Policy Implications

The current high levels of global unemployment, underemployment, and poverty are already very serious problems. Both developed and developing countries face important and potentially wrenching shifts in employment patterns as a result of the interaction of the new technologies and existing demographic trends. The nature of the challenges facing Northern and Southern policymakers, is, however, quite different.

Employment problems in developing countries are particularly acute and likely to be made more difficult by the new microelectronic technologies that are even more "inappropriate" than older technologies for the resource endowments of these countries. The biggest problem in developing countries is creating the jobs necessary to reduce the high rate of unemployment and underemployment.

The United States, too, has an employment problem, despite the large number of jobs created in recent years. In the 1990s, both population and the work force will grow more slowly in the United States, and labor markets are likely to be much tighter (depending, of course, on the impact of technological change, migration, retraining of existing workers, and above all, economic growth). Many of the jobs that will be available will moreover, require higher levels of education and skills. The central problem, therefore, is how to deal with deep pockets of structural unemployment (particularly among black and Hispanic youths) and with growing segments of the work force that lack the skills necessary for the new technologically sophisticated jobs. In short, the U.S. work force is in danger of becoming increasingly bifurcated.

Policy actions to increase jobs for Americans will be needed in five interrelated areas:

1. Strengthen the U.S. work force and competitiveness. The United States can seek to compete internationally either by lowering wages and the real income of Americans or by initiating now a major national effort to improve management and production systems, stimulate innovations in advanced technologies, revise outdated public policies that hamper international competition, and above all, to upgrade the skills of American workers through better education, job training, health care, and labor adjustment policies.[8]

2. Encourage research and development. U.S. expenditures on non-defense R&D have been low in the last 10 years, threatening to undermine the ability of U.S. business to be competitive in the new technological era. In the future, R & D will be a crucial determinant of a company's ability to expand and create jobs. Therefore, U.S. government tax incentives for non-defense R & D, both in the United States and overseas, merit expansion. The ability of universities and scientific research institutes to help expand U.S. and Third World technological capacity will also be necessary if enough skilled personnel are to be available for these R & D efforts.

3. Reinforce the positive linkage of trade to jobs. The link between U.S. exports to the Third World and U.S. jobs is important to future prosperity in this country. Many recent studies demonstrate that, although employment in some industries has been adversely affected, the United States gains in overall employment from its trade with the developing countries.[9] Programs of trade adjustment therefore need to be considerably improved and specifically linked to the new initiatives that will be needed to retrain workers for jobs in the new technologically sophisticated industries.

4. Incorporate international labor rights into trade policy. If workers in developing countries are to benefit from the gains from trade, internationally accepted labor standards need to be a part of trade policy. The goal is not to equalize wages, nor to promote disguised protectionism, but to reach international agreement on issues such as freedom of association and collective bargaining, a prohibition of forced labor, a minimum age for employment, and occupational health and safety guidelines. Labor standards, along with the rising wages that would result, could enable developing countries to become a growing source of aggregate global demand to stimulate the world economy.

5. Reassess immigration policies. Labor markets have become internationalized, and immigration into the United States, particularly from Mexico, is likely to continue despite efforts to control the flows. Migration could help to alleviate the twin problems of labor surplus in developing countries and the potential shortages of labor in the United States. Care must be taken, however, to ensure that these flows are legal and carefully regulated to prevent adverse impact on low-wage American workers, who are the principal losers from immigration- and whose employment prospects already are not bright.

Conclusion

The United States is clearly entering a new era. It faces the two-fold challenge of correcting its trade deficit in the near-term while taking action to utilize long-term technological change to its advantage.

If the United States successfully overcomes the immediate trade deficit problem and takes advantage of technological opportunities, it can emerge in a stronger international economic position than at any time in the recent past. However, more than ever, U.S. prosperity is inextricably linked to the achievement of global development. The Agenda 1988 argues that the best course of action, from the point of view of furthering U.S. self-interest, is for the United States to take the lead in designing and supporting international solutions for the urgent financial and job-creation problems of the developing world.

ENDNOTES

NOTE: Assistance in the preparation of this testimony was provided by Gail J. McGrew.

1. Growth, Exports, & Jobs in a Changing World Economy: Agenda 1988 edited by John W. Sewell and Stuart K. Tucker (Transaction Books, New Brunswick, 1988). This volume, referred to as Agenda 1988 throughout this paper, is the most recent edition of ODC's biennial Agenda series.

2. United Nations Industrial Development Organization, Industry and Development: Global Report 1986.

3. See Stuart K. Tucker, "U.S.-Third World Trade Deficit: Going After the Causes", ODC Policy Focus No. 7, 1985 (Overseas Development Council, 1985) for an analysis of the causes of the U.S. trade deficit.

4. John W. Sewell and Stuart K. Tucker, "Swamped by Debt: U.S. Trade with the NICs", in America's New Competitors: The Challenge of the Newly Industrializing Countries edited by Thornton F. Bradshaw, Daniel F. Burton, Jr., Richard N. Cooper, and Robert D. Hormats (Ballinger Publishing Company, Cambridge, 1987).

5. See pages 10-16 of Agenda 1988 for a fuller discussion of these trade projections.

6. See the chapter by Manuel Castells and Laura D'Andrea Tyson in the Agenda 1988 for a further discussion of technological capacity.

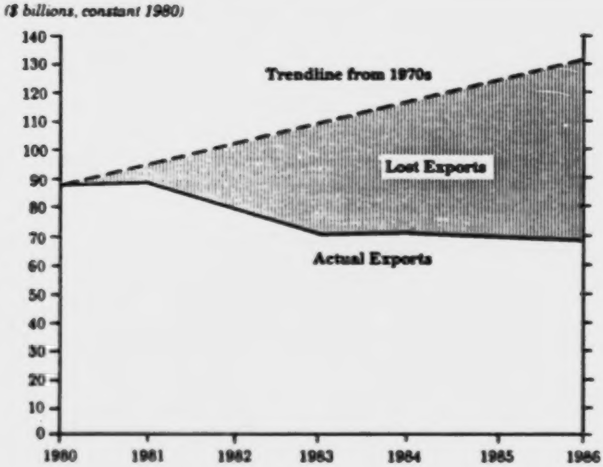
7. For a fuller discussion of global labor force trends, see Ray Marshall, "The Shifting Structure of Global Employment" in Agenda 1988.

8. The report of the President's Commission on Industrial Competitiveness, released in 1985, provides a number of creative policy recommendations in this area. See also Reversing America's Declining Competitiveness (Report of the 74th American Assembly, November 1987).

9. See Ray Marshall's chapter in Agenda 1988 for a summary of such studies.

Figure 1

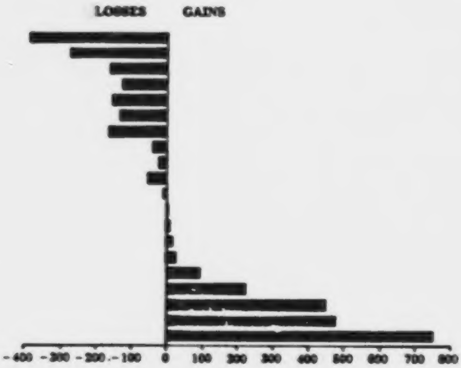
U.S. Exports to the Third World in the 1980s: Lost Opportunities ($ billions, constant 1980)



Source: ODC calculations from *U.S. Department of Commerce, Highlights of U.S. Export and Import Trade*, various December issues.

Figure 2

U.S. Net Employment Gains and Losses in Trade with the South, 1983 (thousands of man years)



INDUSTRY	With all developing countries	With nine selected developing economies
Apparel	-379	-150
Leather products	-268	-130
Wood products	-155	-82
Other manufacturing	-118	-51
Textiles	-146	-78
Basic metals	-126	-43
Food products	-163	-84
Paper products	-31	-26
Furniture	-15	-16
Oil refining	-44	-2
Plastic products	-6	-11
Tobacco	5	-1
Mineral products	15	2
Printing and publishing	27	5
Precision instruments	35	1
Metal products	101	14
Chemicals	229	73
Transport equipment	455	109
Electrical machinery	480	177
Machinery	764	205

Source: U.N. Industrial Development Organization, *Industry and Development: Global Report 1986*, p. 109.

Table 1

Scenarios: U.S. Merchandise Trade and the U.S. Trade Deficit

	1992 U.S. Exports	U.S. Imports	Trade Balance
	($ billions, constant 1986)		
Growth Scenarios			
A: Status quo trends from 1986	261	459	–198
B: High industrial-country growth	347	459	–112
C: High global growth and improved debt management	379	459	–80
D: High global growth, improved debt management, and marked U.S. competitive gain	390	459	–69
Recession Scenario			
E: Mild U.S. recession	261	423	–162

Scenario Assumptions

Period Covered by Scenarios: 1988-1992[a]	Scenarios A	B	C	D	E
	(percentages)				
U.S. Imports					
U.S. annual GNP growth rate	3.1	3.1	3.1	3.1	1.6
U.S. imports/U.S. GNP	9.1	9.1	9.1	9.1	[b]
U.S. Exports					
Industrial-country GNP growth rate	2.9	3.4	3.4	3.4	2.9
Industrial-country import/GNP	16.0	20.0[c]	20.0[c]	20.0[c]	16.0
U.S. share of industrial-country imports	13.2	14.0	14.0	14.0	13.2
Developing-country GDP growth rate	2.8	4.7	6.1	6.1	2.8
Developing-country import/GNP	17.6	17.6	21.8[c]	21.8[c]	17.6
U.S. share of developing-country imports	16.7	16.7	16.7	17.0	16.7

[a] All scenarios start at the end of 1988 and use a common set of estimates for 1987 and 1988 data (IMF estimates): U.S. growth, 2.2% in 1987 and 3.1% in 1988; industrial-country growth, 2.3% in 1987 and 2.9% in 1988; developing-country growth, 3.0% in 1987 and 4.1% in 1988.

[b] 8.1% in 1989, 7.9% in 1990, 9.1% in 1991 and 1992.

[c] Arithmetic rise during 1988-1992 from the number listed in Scenario A to the number listed in this scenario.

Source: ODC projections, developed by Stuart K. Tucker, based on World Bank data for GNP and IMF and U.S. Department of Commerce data for trade.

U.S. Trade Deficit

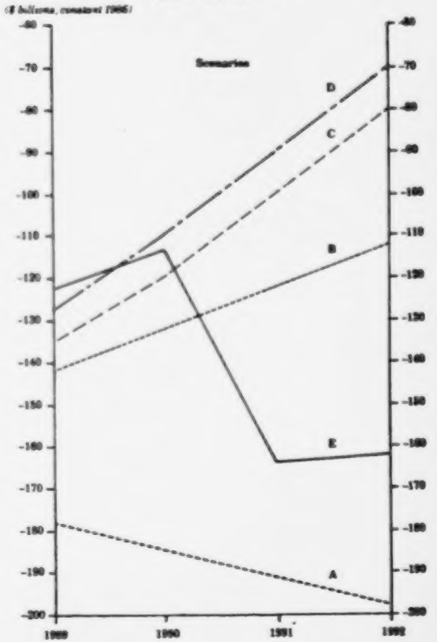


Table 2

Indicators of Technological Capacity of Various Countries

	Number of Telephones per 100 Persons	School Enrollment as Percentage of Age Group			Scientists and Engineers		Per Capita GNP		
		Primary	Secondary	Higher	Total (thousands)	Per million population	1984 Value (U.S.$)	1965–84 Rate of Growth (percentage)	1984 Population (millions)
Country									
Industrial Market Economies									
United States	76.0[b]	100	97	58	702[c]	2,994	14,110	1.7	235
Japan	53.5	100	92	30	499[f]	4,189	10,120	4.9	119
West Germany	59.9	100	50	30	129[e]	2,087	11,430	2.8	61
Spain	36.0	110	88	24	6[b]	157	4,780	3.0	38
East European Centrally Planned Economies									
Soviet Union	9.8[b]	106	97	21	1,431[c]	5,294	—	—	275
East Germany	21.1	94	88	30	121	7,251	—	—	17
Poland	10.9	100	75	18	79[b]	2,153	—	—	37
Hungary	13.4	100	73	14	22[c]	2,053	2,150	6.4	11
East Asian Newly Industrializing Countries									
Rep. of Korea	17.3	100	89	24	29[c]	711	2,010	6.7	40
Taiwan	20.9	100	85	12	—	—	2,740	6.8	19
Hong Kong	40.3	105	67	11	—	—	6,000	6.2	5
Singapore	39.4	108	66	11	5[d]	2,058	6,620	7.8	2
Latin American Middle-Income Countries									
Brazil	8.0	96	32	12	33[c]	251	1,880	5.0	130
Mexico	9.1	121	54	15	—	—	2,240	3.2	76
Argentina	10.4[f]	119	59	25	10[c]	321	2,070	0.5	30
Venezuela	7.8	105	40	22	4[c]	212	3,840	1.5	17
Middle East Oil Exporters									
Saudi Arabia	14.9[f]	67	32	9	—	—	12,230	6.7	10
Iran	4.7[f]	109	59	10	—	—	—	—	15
Iraq	5.3	97	40	4	—	—	—	—	43
Second-Tier Newly Industrializing Countries									
Malaysia	7.5	92	49	6	—	—	1,980	4.5	15
Philippines	1.5	106	64	27	5[e]	99	760	2.9	52
Thailand	1.4	96	29	22	—	—	860	4.3	50
Large Protected Economies									
China	0.5	110	35	1	—	—	300	4.4	1,019
India	0.4	79	34	9	—	—	260	1.6	733
Indonesia	0.4[c]	120	33	4	21[c]	132	540	5.0	158
Low-Income Stagnant Economies									
Afghanistan	0.2[f]	35	12	1	—	—	—	0.5	17
Bangladesh	0.1[c]	60	15	4	—	—	130	0.5	98
Sudan	0.2[c]	52	19	2	4[a]	183	360	1.3	21

Note: All figures are for 1984 unless otherwise noted.

[a] 1975.

[b] 1976.

[c] 1980.

[d] 1981.

[e] 1982.

[f] 1983.

Sources: World Bank, *World Development Report*, 1985; United Nations, *U.N. Statistical Yearbook*, 1986.

Table 3

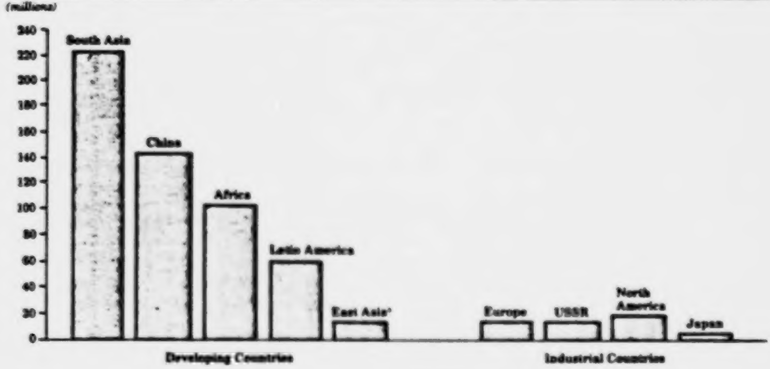
Young Adults in the Global Work Force (millions)

	1965	1985	2005
Industrial countries	285	366	352
Developing countries	363	1,105	1,674
World	921	1,471	2,026

Source: Paul Demeny, "The World Demographic Situation," in Jane Menken, ed., *World Population and U.S. Policy* (New York: W.W. Norton and Co., 1986), p. 60.

Figure 3

Increase in World Labor Force, 1985-2000
(millions)



*Excludes China and Japan.
Source: International Labor Office, *Economically Active Population Estimates, 1985*

Table 4

U.S. Highly Skilled Service Jobs: A Large and Growing Share of Total U.S. Employment, 1986 (millions jobs and percentages)

Service jobs, by category:	Total Service Jobs *(millions jobs)*	Share of Total U.S. Employment *(per cent)*	Expected Growth
Managerial and professional specialties	26.5	24.5%	rapid
Executive, administrative, and managerial	12.6	11.7	rapid
Professional specialties	13.9	12.8	rapid
Technical sales and administrative support	34.3	31.7	average
Technicians and related support	3.4	3.1	n.a.
Sales occupations	13.2	12.2	average
Administrative support, including clerical	17.7	16.4	slow
Service occupations, including food preparation, cleaning, and personal services	13.6	12.6	slow

n.a. = not available.

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Occupational Outlook Handbook, 1986* and unpublished data.

Representative **Hawkins**. Mr. Tucker, you make a very good case for growth in the Third World and job creation. However, we are lagging behind even in this country in both respects. In what way can we be a leader in creating that growth and job creation in the Third World when we don't seem to be able to do a very good job even in this country? What suggestions do you offer?

Mr. **Tucker**. The general suggestion I have is that we must understand the global interdependence of the world economies. The U.S. cannot simply look at its own economy as an isolated instance in which we need to generate a series of policies that will create growth and jobs. In fact, much of our own dynamism relates to how we relate to other countries.

The point that we come out very strongly on in our book is that we must first overcome the major hurdle that is a drag on world growth, and that is the debt crisis. Currently U.S. growth is fairly substantially going forward, although, as we have mentioned, there are lagging industries and lagging labor markets. However, in the Third World growth rates are roughly half what they were in the 1970's. Growth rates in Europe and Japan are not as strong as they were in the 1970's. We cannot ignore these facts.

The major determinant of those growth rates is in fact capital market flows in the world economy. The U.S. at this point is in a position to take a leadership role in fostering some sort of debt management scheme that would overcome these past burdens that have been a drag on the world economy. That is the most fundamental aspect that we advocate in overcoming the drag on economic growth. Once you have that world stimulus going and the demand for U.S. goods by other countries, then that 10 percent growth rate per year of exports is achievable. Once we obtain that, growth in U.S. industries will be substantial and we will overcome our own problems.

So we cannot see this as our problem or their problem. It is our problem and their problem together and we must solve them together.

Representative **Hawkins**. Thank you.

Mr. Anderson, in your prepared statement, which I had the privilege of reading last night, you indicated several initiatives in the employment and training field. I wonder if you would care to develop a little bit more information pertaining to those. Would you give us some evaluation of the Job Training Partnership Act, the major one that we depend on at this time? Is the Job Training Partnership Act [JTPA] really doing the job that it is supposed to do, and if not, what modifications or alternatives would you suggest?

Mr. **Anderson**. Thank you very much, Mr. Chairman. I will be delighted to respond to that.

When you look back over the past 20 years at the panoply of employment and training programs that have been brought on stream to address the kind of issues that I noted earlier, I think they can be boiled down to several categories.

There is one type of program that emphasized getting young people into some type of work experience presumably to introduce them to what it means to hold a job, to get to work on time, to take supervision, et cetera. That is work experience type programs.

Another category was the skill training programs, much of it in a classroom setting, where the principal objective was to provide the young people in the program with marketable job skills that then would allow them to go out and be hired in a variety of occupations for which the skills were provided.

Then there were other programs that were aimed at job creation. The public service employment effort which, as you know, really was the largest part of the employment and training expenditure as late as 1980, I believe, was direct job creation where the Federal Government allocated funding to State and local governments to hire people within certain categories: the economically disadvantaged, welfare recipients, economically disadvantaged youth; and various other categories, including Vietnam veterans.

There has been an extensive amount of research on these programs in an attempt to answer the question of what impact they had. I have been privileged to contribute to that literature, as have a number of others.

My interpretation of the evidence, Mr. Chairman, is that there are certain combinations of services when pulled together and administered in an effective way can have an impact. That is to say that when work experience programs are combined with basic remediation it seems that there are positive benefits from those kinds of programs.

Gordon Berlin of the Ford Foundation and Andrew Sum of Northeastern University recently published a book summarizing those kinds of efforts. By basic remediation, of course, I mean programs that are aimed at teaching basic communication and computation skills.

The skills training programs, on the other hand, seem to be most effective when they are very carefully targeted and when they are combined with various other kinds of services. The best example of this would be the Job Corps. The one much maligned Job Corps, I think it is now generally agreed by experts in the field, to be a very effective job training program aimed at the most seriously disadvantaged groups in our society.

But then there is another type of program that is based in the schools. The objective of those programs is to provide school youth with knowledge about the labor market, with information that would help them prepare for work, to go out and find a job, and very often those programs are linked directly with placement assistance.

What I believe is possible today, based on our knowledge of the experience of the past 20 years with these programs, is policy framework that combines three things.

First of all, better linkages between education or the school systems and the world or work can be very helpful.

Programs such as Jobs for America's Graduates, a school-to-work transition program that focuses on high school juniors and seniors and also includes a component at reducing the dropout rate, is an example.

Bringing into the schools persons who are employed by a private organization dominated by employers in the local community; giving the young people knowledge about the job market; tutoring them on how to find a job; filling in where it is necessary those deficiencies that they have in basic skills; and then going out and identifying jobs for them and placing them. Where the people who are employed in that program, not by the school system, but by the private organization located within the school system, are paid on the basis of the number of young people that they place in jobs. That is a very strict performance standard.

There have been some 25,000 students who have gone through this program since 1979 when it was first created as Jobs for Delaware Graduates. Of that number of students who have gone through this program, the placement rate is about 70 percent, which is much higher than it is for most other programs of that type.

What I suggest here is that that type of program, the school-to-work transition program, can now be incorporated into the regular school budgets at the local level and need not continue to be funded in a substantial way by the Federal Government.

I think as we look ahead the role of the Federal Government is to suggest the standards, to state the goal, but to encourage the State and local communities to fund programs of that type in the school system.

That would then free up the Federal expenditures for the most difficult problem that remains, which is that problem of out-of-school youth. There we also see some experience that is very helpful. I think the Job Corps, as I said before, is a good example of a program that seems to work for a segment of the out-of-school youth population. That program could well be expanded.

We could also replicate some elements of the Job Corps on a broader level in local communities and target it to the most seriously disadvantaged, drawing on not only Federal expenditures, but private sector expenditures that are available at the local level.

Representative HAWKINS. What is the best example of that that you can give?

Mr. ANDERSON. There is a program called Job Start. I am a member of the board of the Manpower Demonstration Research Corp. [MDRC] in New York, which since 1985 has experimented with a program called Job Start. That program is focused exclusively on out-of-school youth in 12 communities around the country, and it combines both skills training with basic remediation, peppered also with supportive services where that seems to be required.

I can give you an example of a very effective site, and that is Corpus Cristi, TX. The program there is run by a Hispanic organization. When we visited that site the year before last there were about 100 students in the program. All of them were high school graduates.

Fifty to 60 percent were Hispanic; the remainder were black and white youth. Some were single mothers who had become mothers as teenagers. Others were young fellows who had had some brush with the law.

But collectively they were young people who were acquiring basic skills and occupational skills that were very much needed in the local labor market. And the job placement of those young people since they acquired that training has been rather high. I think it was 70 percent as of the end of 1987.

That is one example. There are a number of examples of programs like this, Mr. Chairman, at the local level.

Representative **Hawkins**. Are they funded at that level? Just were does the funding come from?

Mr. **Anderson**. Most of the funding for those programs comes from JTPA, but additional funding comes from major foundations, particularly the Ford Foundation, and some local foundations in the communities in which the programs are operated. For example, I believe there is a program in Los Angeles in which the Arco Foundation has some support. The programs in Connecticut or Boston are supported by local foundations there, in addition to the funding that comes from JTPA and the Ford Foundation.

Unfortunately, the number of young people who participate in these programs has to be relatively small, 50, 75, or 100 students at most, because of limited funding.

That brings me to the other comment that you asked me to respond to, and that is the effectiveness and the utility of JTPA as a device for supporting efforts of this type.

Unfortunately, I must say that JTPA is not very good, in my judgment, in supporting programs for the most seriously disadvantaged young people in local labor markets.

One of the reasons for that is that because of the performance standards under which JTPA operates and the close tie between those performance standards and funding for local program operators, there is a tendency by program administrators not to dip down deeply into the most seriously disadvantaged segments of the work force.

I think if you look at the characteristics of participants in JTPA today with CETA in from 1979 to 1980, if you ask the question, well, what proportion of all of the participants are disadvantaged, the answer that you will get is, well, it is roughly comparable. But there are different degrees of disadvantage, you see. When you dig deeper into the characteristics of who is in the programs, you find that while under CETA with its regime for funding there were specific programs in local communities targeted on the most seriously disadvantaged. That does not seem to be the case with JTPA.

One final comment in that connection. MDRC had a very difficult time raising funding through JTPA to support the Job Start program. To the credit of those local private industry councils and service delivery areas (SDA) that were persuaded to participate in this, the support came through after some persuasion, but the fact is that in many cases this program was unable to be initiated in communities because the local private industry council and SDA leadership had priorities other than focusing on the most seriously disadvantaged out-of-school youth.

That is why I have suggested, in looking at this scenario for a youth employment policy for the years ahead, that the Federal Government redirect its emphasis away from in-school youth to focus far more heavily upon out-of-school youth, and in addition, provide support for training; also return to some consideration for direct job creation targeted to specific young people, because there is still an element in many communities, in the inner city, that is completely outside the range of training programs.

In order to get people in that category involved in the economy we need work programs, direct job creation programs rather than training programs. I don't suggest that as a major effort, but at least some part of the Federal expenditure, it seems to me, should go back to that model of public service employment.

Representative **Hawkins**. I think one theme that seemed to have been involved throughout all of the testimony of the witnesses, was the necessity to have an educated and trained work force. I think even Mrs. Norwood in her presentation indicated that the jobs of the future would involve high qualifications, even at the college level.

The implication left, it seems to me, is why don't these minorities, why don't these women, why don't the unemployed take advantage of those opportunities for education and training?

I would like to pose a question to the other witnesses. If this seems to be the one single element that would do the most in terms of spending on investment, why is it that we seem to be lagging behind so badly in doing it and how can we sustain cutbacks in training and education if this seems to be one of the most important things for the future? Does anyone wish to tackle it?

Mr. **George**. I would like to add a couple of thoughts that I think relate to that. Building on what Mr. Anderson has just said, I think if you go into individual communities you can find a number of interesting and effective programs, some built on national models, some not, and reaching those that are most difficult to reach, providing outcomes that would not occur if those programs didn't exist. But they are the exception. The reason why they exist is not because of JTPA. It is in spite of it.

What we haven't seen during the first 8 years of this administration is really any leadership on this front. It has been a devolutionizing of responsibility to the states.

The serious problems that we see not just in JTPA but in the kind of leadership in this country during the first 8 years of the 1980's has been not that just programs for the poor should be devolutionized to the States, but we have been saying that basically the Federal Government except on the defense front, except in some other critical sacred cow areas, like social security, ought to roll up its knapsack and go someplace else.

There are serious proposals to devolutionize the unemployment compensation system, the employment service, and a number of other areas on the social front. What we need is new leadership at the national level in order to make these proposals for increased education and training investments work.

I guess that is my 2 cents worth on that issue.

Representative **Hawkins**. Mr. Lawrence.

Mr. **Lawrence**. A lot of the discussion has, I think, appropriately focused on the most seriously disadvantaged. In my view, the major reason why the somewhat less seriously disadvantaged have not done as well in the past has been the low levels of demand in our economy. Although our unemployment rate may be low today by historical standards, if we take a broader view of its average levels over the last decade we find that unemployment levels have been rather high. So the opportunities available for these workers and new entrants have not been there.

Second, I think it is important to note that they have been competing in the past with this influx of very highly educated young new entrants and relatively highly educated women in the labor force, so that the competition has been severe for these workers.

I believe that in fact the next decade looks better for them from this standpoint, that now their competition is much less simply because there are much fewer of the more privileged workers entering the labor force.

If we can maintain demand in our economy, if we can run an economy at much closer to levels of full employment—I won't use that word—at lower unemployment rates, if we can keep that demand pressure up, as Mr. Anderson indicated in this testimony, that is a very important mechanism for upgrading workers in the work force.

I think it is critical that we do that if we are going to absorb these workers. I think it is important also to stress that they do potentially have much greater opportunities. Even those who are not able to fill the slots of the highly skilled are, in my judgment, likely to earn higher wages as a result of the shortage of unskilled labor that the economy is likely to face. We already see wages at fast food chains like McDonald's rising quite dramatically. We see them groping for new workers by trying to encourage older people to take those jobs where there is a scarcity of young people. I think that is a harbinger of things to come.

Although we have been stressing, in a sense, the negative aspects of the labor market in the future, I think there are also more opportunities potentially for workers both unkilled and those who acquire more skills provided we can maintain the level of demand in our economy.

Mr. ANDERSON. Mr. Chairman, I agree with Mr. Lawrence's comment on this that I want to emphasize here.

I think both of us have emphasized the beneficial effects of tight labor markets on employment opportunities for somewhat less prepared people in the labor force. But when we target geographically, it seems to me that what we saw during the 1950's and 1960's as the response of labor force participation rates, employment-population ratios to economic growth is not quite as powerful, and is not quite as robust today as it was in the past. Especially if you look at cities.

One of the problems, Mr. Chairman—and I think you pointed this out with Mrs. Norwood—is that we really don't have adequate statistical data on the labor force for cities. Even for a community as large as New York, the largest labor market in the country, I believe, there is a level of statistical error in the data that will not allow you to say with any degree of precision what the unemployment rate is for Hispanic teenagers in Manhattan or in the Bronx or in Staten Island.

You can say with some degree of statistical confidence what the unemployment rate is in the New York metropolitan area. But that includes everything through Long Island, through some parts of Westchester County, and through New Jersey. It's a very large area.

So the question is, if you are concerned about the employment problems of black kids in Harlem or Bedford Stuyvesant or Puerto

Rican kids in South Bronx, how do you even know what the magnitude of the problem is on the basis of published data? We don't know. We sort of have to fly by the seat of our pants in gauging what the magnitude of that problem is.

What we see in looking at the inner city communities—and I will speak now specifically of Philadelphia—is that there is a large number of young people of the minority group who are not in the labor force at all. They are not looking for work; they are not in school; they are involved in a number of things. Not all of them are involved in crime. I think that is much over done that if you don't have a job you will go out and rob someone. Many of them do that, but the point is that there are many young minority kids in inner city areas who are just not involved in the economy at all.

When you look at the kinds of jobs that are being created in the city, what you find is that the kind of employment that is being created there today is quite different from the kind of employment that was created in the cities in the 1960's and the early 1970's. The manufacturing jobs have left. Manufacturing is not expanding in these communities. Manufacturing was a source semiskilled employment. What you have in many of these cities, whether you look at New York, Philadelphia, Los Angeles, Chicago, and so forth, is the expansion of employment in this broad category called business services. What is that? That is the information field. It is very computerized. It requires a set of attributes on the part of new employees in basic computational skills, communications skills, the ability to make judgments on the spot.

Let me give you one example of this, the job of a customer service representative in a bank.

Twenty years ago a young woman—and this is a female dominated job—who was a high school graduate could be hired in that type of job and trained to perform the work within a period of 2 or 3 weeks or maybe a month. Today, however, college graduates are being hired in those jobs.

The result is that a person who was hired as a teller in a bank no longer has the opportunity to be upgraded into a position as a customer service representative. The customer service representative in an environment of bank deregulation and the expansion of financial services, now has to be conversant with money market rates, the different kinds of investment instruments, advice on investment strategies for individuals, and even international exchange rates in some cases.

What you find is that banks are now hiring college graduates with training in finance and business to be customer service agents. That cuts out a whole career path for young people, not to mention the fact that even the requirements to be a teller in a bank today have increased. Fewer people use banks by not going directly into the bank. They use more of the automatic teller machines. The number of jobs available to tellers has declined. The result is that banks have upgraded the requirements for tellers.

These are some of the industrial changes that are taking place that cut out substantial numbers of jobs for the seriously disadvantaged who reside in urban communities.

I simply mention that to say I do not think, despite the demographic changes that we see taking place and project to take place with a tightening of labor markets, that there is going to be a process that will absorb large numbers of the kind of workers that I have described.

We are going to have to do something more than we have done in the past if that group of workers in local labor markets is going to be absorbed, or else we will be confronted with the situation that is described very dramatically in a recent book that came out, written by William J. Wilson. "The Truly Disadvantaged" is the title of that book. I commend it to every member of the Joint Economic Committee. It lays bare what has happened in urban areas over the past 20 years and what we are confronted with today in an effort to try to grapple with urban unemployment, especially urban unemployment of minority groups.

Let me say that when we say minority groups, I want to be even more specific. I am talking mainly about black and Hispanic groups. The word "minority" has been misused, in my judgment, at least as it relates to the problem we are talking about. The Asian groups in many local communities are doing very well. They have high rates of employment; they are doing very well in school; and they have expanded the opportunities for themselves in small businesses. But the groups that are of particular concern, it seems to me, are the black and Hispanic groups which in the Northeast means Puerto Ricans for the most part; in the Midwest and in the Southwest it is the Mexican-American and Chicano group. Those are the minority groups that are likely to face the most serious difficulties in the labor market unless we focus on the problems of preparing them to fill the jobs that are likely to be created over the next 20 years.

Representative HAWKINS. I certainly agree with you. However, may I state a personal position which I do not like to inject into a hearing in which we are trying to get information from witnesses from the outside. To some extent I think the theme "Employment in the Year 2000" is perhaps a little misleading. I think if we wait around until the year 2000 to do the job it will not be done. I think it is pretty obvious that all of the trends that have been indicated today are unfavorable to having in the year 2000, a nation that is competitive with the rest of the world.

I think sometimes we get caught up in the statistics that are given. This is not a reflection on Mrs. Norwood. I have very high regard for Mrs. Norwood. She does a fine job as the head of a statistical agency. But I think there is more to a government than an agency that collects a lot of statistics.

The impression is often left that the problem is largely one of a few disadvantaged people, mostly minorities. Yet I think the indication is that even among our best students in this country that they are testing rather unfavorably with the comparable students in other countries. Apparently we are not getting through in education what we are capable of doing as a nation. I think that the minorities are suffering more than anyone else from this weakness in education, but there are a lot of others who are nonminorities who are suffering equally as well.

Throughout the hearing this morning we have talked of competition, the manufacturing of quality goods, and so forth. Yet we are not encouraging individuals in the lowest grades to go on and to develop themselves. That is true of everyone, but it is even more true, obviously, of minorities.

It would seem that if there is anything that we should be focusing on it is how do you not wait for individuals to gain motivation to do something or to go on to another grade, or to graduate and not be among the dropouts and to enroll in college and to go into research. You will find many more foreigners in research institutions than you will Americans.

If we are going to change and do some of the things that have been suggested this morning, including helping the Third World, it seems to me that we are going to have to get our own house in order. That means we have got to begin at the preschool age to enlarge the pool of individuals that will go into high school. We have got to discourage the dropouts so we get more high school graduates, and then we have got to build up the enrollment in post-secondary education. So that means we have got to begin now—we should have started even before now—to prepare for the year 2000.

I am not encouraged by what I see when we have a 30 percent cutback in education, for example, since 1980. We are headed in the wrong direction. Maybe I am a fanatic, but I would welcome any comments from any of the witnesses as to whether you see anything different.

If we have cutbacks in such programs as Head Start and Chapter I, in billingual education, when we cut back student aid so that students even in college are having difficulties, can we hope to do any of the things that we are talking about we are going to be doing in the year 2000? If we are as good as we seem to be as a nation and as the statistics seem to indicate, then it just does not seem to me to add up.

Mr. **Anderson**. I agree with you entirely that the budgetary decisions that have been made in the last few years seem to be counterproductive so far as meeting many of the issues that we have described here.

I am not a political person. I don't know how one turns a situation like that around. I would like to believe that by calling attention to the problem, by laying bare the relationship between certain developments and likely outcomes that we could be able to demonstrate to the populace at large the importance of pursuing certain policies to prepare for a better future.

If calling attention to these issues, as I think all of us have tried to do, and others have done, is not effective, I just think perhaps we will come to that year 2000, which after all, isn't that far away, confronted with a very difficult situation and then have to deal with it under terms that will not be as felicitous as the current terms.

I think it is much better to begin now to address these kinds of problems than to wait until the consequences of our inability to address them or unwillingness to address them confront us and then we are dealing with a crisis situation. It just doesn't make sense to me.

Representative **Hawkins**. I suppose my comments did not appear to really commend the witnesses, but I want to commend all of you. You have come in not with any great optimism, but you have come in to be realistic and to present what I consider to be realistic expectations and sound judgment in looking at the problems and suggesting some alternatives.

If there are no other thoughts to be expressed this morning, may the Chair express appreciation to the witnesses for their very fine presentations. We look forward to a continuing contribution of the witnesses to the conclusion of the series.

We will hold open the record. If there are any additional suggestions or recommendations you wish to make we will be glad to include them in the final report of this series. Thank you very much.

[Whereupon, at 11:30 a.m., the subcommittee recessed, to reconvene at 9:30 a.m., Tuesday, April 12, 1988.]

EMPLOYMENT IN THE YEAR 2000: A CANDID LOOK AT OUR FUTURE

TUESDAY, APRIL 12, 1988

Congress of the United States,
Subcommittee on Investment, Jobs, and Prices
of the Joint Economic Committee,
Washington, DC.

The subcommittee met, pursuant to recess, at 9:30 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Present: Representatives Hawkins, Fish, and McMillan.

Also present: William Harrison and Dayna Hutchings, professional staff members.

OPENING STATEMENT OF REPRESENTATIVE HAWKINS, CHAIRMAN

Representative **Hawkins**. The subcommittee will come to order. This is the second day of the hearings on "Employment in the Year 2000: A Candid Look at Our Future" by the subcommittee of the Joint Economic Committee.

We are very pleased today to have our distinguished colleague Congressman McMillan of North Carolina join the subcommittee. Following the opening statement we will allow him the opportunity to express such views as he may have.

I think the first day of the hearings did document very clearly that change is taking place in the labor force. Projections do indicate what I think most of us have already decided, that the uneducated and untrained people will have very difficult times making a decent living and that employment opportunities for the year 2000 or even before that, will require an upgrading of requirements for those who intend to make the grade.

In order to give some focus, however, to what is happening we need not only think in terms of the future work force but also in terms of the responsibility for meeting the challenges and not depend on chance or some unknown force to do the job for us.

I am always a little bit surprised that on our Joint Economic Committee we wait each month until the unemployment rate is expressed and sometimes we show some surprise that it has either gone up or down or that there has been some change in it, as if being decisionmakers we are the witnesses to what is happening rather than being proactive and trying to bring about the changes that we think are needed.

I hope that in these hearings we will not only express views concerning what may be happening, but we will focus on the specific policies and those who are responsible for changing policies or bringing about the type of changes we think desirable and necessary as a people. We do want to get into a more proactive stance. I think that is the reason why we have invited a distinguished number of witnesses who we feel can help give us the answer.

Representative McMillan, I am delighted to have you join us this morning. If you care to express yourself, we would be very glad to hear from you.

OPENING STATEMENT OF REPRESENTATIVE McMILLAN

Representative McMillan. Thank you, Mr. Chairman. I am delighted to have a chance to be with you this morning although I don't serve on this subcommittee of the Joint Economic Committee. What we are discussing, however, is extremely crucial to the health of this Nation.

The employment picture, as I think we all agree, has been relatively bright in the last few years. Since 1982, 15 million more people are working and the proportion of Americans with jobs is now higher than ever. The employment rate has declined from 10.8 percent to the present 5.6 percent. I think that has occurred in a period of time in which a far greater proportion of women are in the work force and we have been overcoming an adverse trend in imports while achieving those improved statistics.

We also know that employment among a number of minority groups and young people is much higher than we would want despite the fact that it has been improving.

Contrary to conventional wisdom, this job growth has not been in primarily part-time, low-wage positions. Instead, the vast majority of new jobs, over 90 percent, have been full time. Moreover, a large proportion of the new employees have gone into managerial, professional, administrative, or technical positions, which I think is a reflection of the changing situation in this country.

But we cannot be statisfied with this better performance. We must prepare for the future by making sure our labor force is ready to meet the demands of the workplace in the year 2000.

The Bureau of Labor Statistics tells us that 38 percent of the new jobs created between now and the year 2000 will require postsecondary education. Workers will need to be able to adapt and learn on the job to keep up with rapidly advancing technological change.

Our businesses are telling us, however, that workers do not even have basic reading and math skills. We all hear horror stories such as the one where 85 percent of the people applying for a position with New York Telephone failed a simple test that did not even require a high school diploma for passage. I think we could look at the applicants for positions in the offices on Capitol Hill and see evidence of the same thing.

So I look forward to hearing your testimony and what it might contribute to an effective solution to some of the challenges we face. Thank you.

Representative **Hawkins**. Thank you, Congressman McMillan. Without objection, the opening statements of both Congressman McMillan and the Chair will be entered in the record at this point.

[The written opening statements of Representatives Hawkins and McMillan follow:]

WRITTEN OPENING STATEMENT OF REPRESENTATIVE HAWKINS

I AM PLEASED TO WELCOME THIS MORNING'S PANEL OF WITNESSES, WHO HAVE BEEN INVITED TO TESTIFY ON THIS OUR SECOND DAY OF HEARINGS ON "EMPLOYMENT IN THE YEAR 2000: A CANDID LOOK AT OUR FUTURE". TODAY'S PANEL OF DISTINGUISHED WITNESSES WILL FOCUS ON THE CURRENT LABOR SUPPLY AND PROJECTED DEMAND IN THE LABOR MARKET, SPECIFICALLY ASSESSING THE SKILL AND COMPETENCY LEVELS OF THE EXISTING LABOR FORCE BASED ON THE PROJECTED LABOR MARKET CHALLENGES OF THE 21ST CENTURY.

AS WAS HIGHLIGHTED IN TESTIMONY GIVEN BEFORE THIS SUBCOMMITTEE ON YESTERDAY, THE LABOR MARKET IS EXPERIENCING MAJOR CHANGES, CHANGES WHICH ARE CLEARLY AFFECTING OUR PRODUCTIVITY AND COMPETITIVENESS. THESE CHANGES INCLUDE A RISE IN THE AVERAGE AGE OF THE WORK FORCE, A DECLINING NUMBER OF YOUNGER WORKERS, AN INCREASING PROPORTION OF THE WORK FORCE CONSISTING OF WOMEN, MINORITIES AND IMMIGRANTS, A CONTINUING SHIFT TO THE SERVICE SECTOR, AND A NEED FOR HIGHER SKILL LEVELS.

MOST EXPERTS AGREE THAT THE SKILL LEVELS OF MANY OF THE JOBS TO BE CREATED THROUGH THE 21ST CENTURY, WILL BE RISING. EMPLOYERS WILL PLACE A PREMIUM ON HIGHER LEVELS OF READING, COMPUTATION, COMMUNICATION, AND REASONING SKILLS. SUCH SKILLS WILL BE VITAL TO OUR DOMESTIC ECONOMIC GROWTH, AS WELL AS OUR ABILITY TO COMPETE ABROAD.

THESE PROJECTED CHANGES IN THE LABOR MARKET SEEM TO REITERATE THE SOUNDNESS OF ONE IMPORTANT PRINCIPLE: EDUCATED, TRAINED, HEALTHY, MOTIVATED PEOPLE ARE, WILL BE, AND ALWAYS HAVE BEEN UNLIMITED ASSETS, WHILE UNEDUCATED, UNTRAINED PEOPLE ARE SERIOUS LIABILITIES. MOREOVER, WE CAN BE FAIRLY SURE THAT UNEDUCATED, UNTRAINED PEOPLE WILL HAVE GREAT DIFFICULTY MAKING A DECENT LIVING IN A WORLD FULL OF BETTER EDUCATED, HIGHLY MOTIVATED PEOPLE WHO ARE WILLING TO WORK. HOW CAN THIS NATION AVOID A CRISIS IN ITS LABOR FORCE, GIVEN THE FACT THAT VERY FEW NEW JOBS WILL BE CREATED FOR THOSE WHO CANNOT READ, FOLLOW DIRECTIONS, AND USE MATHEMATICS?

MARY FUTRELL, PRESIDENT OF THE NATIONAL EDUCATION ASSOCIATION (NEA), JOINS US THIS MORNING AND WILL DISCUSS THE TYPE OF EDUCATION CURRICULUM AND REFORMS NEEDED TO IMPROVE THE SKILL LEVELS OF OUR NATION'S HIGH SCHOOL GRADUATES. JOINING MS. FUTRELL AT THE WITNESS TABLE THIS MORNING IS A GROUP OF EXPERTS WHO WILL FOCUS THEIR TESTIMONY

ON THE EMPLOYMENT PROSPECTS FOR WOMEN IN THE YEAR 2000; THE ADEQUACY OF CURRENT EDUCATION, EMPLOYMENT AND TRAINING POLICY TO PRODUCE A COMPETENT AND SKILLED WORK FORCE IN THE AUTOMOTIVE AND DIVERSIFIED MANUFACTURING INDUSTRY; AND THE KINDS OF FEDERAL INITIATIVES NEEDED TO IMPROVE THE COMPETENCY OF THE AMERICAN LABOR FORCE.

THE PANEL MEMBERS ARE:

CARLTON BRAUN (VICE PRESIDENT & DIRECTOR OF MOTOROLA'S MANAGEMENT INSTITUTE FOR ENGINEERING, MANUFACTURING AND OPERATIONS MANAGEMENT)

ERNEST J. SAVOIE (DIRECTOR, FORD MOTOR COMPANY'S EMPLOYEE DEVELOPMENT AND EMPLOYEE RELATIONS), AND

NANCY BARRETT (CHAIRMAN, DEPARTMENT OF ECONOMICS, AMERICAN UNIVERSITY)

WRITTEN OPENING STATEMENT OF REPRESENTATIVE McMILLAN

I AM DELIGHTED TO BE HERE TODAY ALONG WITH CHAIRMAN HAWKINS TO WELCOME THIS DISTINGUISHED PANEL TO THE SECOND IN A SERIES OF FOUR JEC HEARINGS ON EMPLOYMENT IN THE YEAR 2000.

THE EMPLOYMENT PICTURE IN THE UNITED STATES HAS BEEN VERY BRIGHT IN RECENT YEARS. SINCE LATE 1982, 15 MILLION MORE PEOPLE ARE WORKING, AND THE PROPORTION OF AMERICANS WITH JOBS IS NOW HIGHER THAN EVER. THE UNEMPLOYMENT RATE HAS DECLINED FROM 10.8 PERCENT TO THE PRESENT 5.6 PERCENT. WHILE UNEMPLOYMENT AMONG BLACKS AND HISPANICS IS STILL TOO HIGH, IT ALSO HAS DECLINED IN RECENT YEARS.

CONTRARY TO CONVENTIONAL WISDOM, THIS JOB GROWTH HAS NOT BEEN IN PRIMARILY PART-TIME LOW WAGE POSITIONS. INSTEAD, THE VAST MAJORITY OF THE NEW JOBS--OVER 90 PERCENT--HAVE BEEN FULL-TIME. MOREOVER, A LARGE PROPORTION OF THE NEW EMPLOYEES HAVE GONE INTO MANAGERIAL, PROFESSIONAL, ADMINISTRATIVE OR TECHNICAL POSITIONS.

BUT WE CANNOT BE SATISFIED WITH THIS FINE PERFORMANCE. WE MUST PREPARE FOR THE FUTURE BY MAKING SURE OUR LABOR FORCE IS READY TO MEET THE DEMANDS OF THE WORKPLACE IN THE YEAR 2000. THE BUREAU OF LABOR STATISTICS TELLS US THAT 38% OF THE NEW JOBS CREATED BETWEEN NOW AND THE YEAR 2000 WILL REQUIRE POST SECONDARY EDUCATION. WORKERS WILL NEED TO BE ABLE TO ADAPT AND LEARN ON THE JOB TO KEEP UP WITH RAPIDLY ADVANCING TECHNOLOGICAL CHANGE.

OUR CORPORATIONS ARE TELLING US, HOWEVER, THAT WORKERS DO NOT EVEN HAVE BASIC READING AND MATH SKILLS. WE ALL HEAR HORROR STORIES SUCH AS THE ONE WHERE 85% OF THE PEOPLE APPLYING FOR A POSITION WITH NEW YORK TELEPHONE FAILED A SIMPLE TEST THAT DID

NOT EVEN REQUIRE A HIGH SCHOOL DIPLOMA. I EXPECT THAT MR. SAVOIE AND MR. BRAUN WILL FILL US IN ON WAYS THEIR COMPANIES ARE HANDLING THIS PROBLEM.

I LOOK FORWARD TO DISCUSSING THESE ISSUES AND OTHERS WITH THIS MORNING'S DISTINGUISHED WITNESSES. THANK YOU.

Representative HAWKINS. We welcome the witnesses before us today.

Ms. Futrell, I hope that I am not violating a policy of yours if I ask that a statement of yours made Sunday, April 10, 1988, in the Washington Post entitled "Rescuing a Nation at Risk" be entered in the record following your statement.

I note that you join with us in commemorating the fifth anniversary of the report "A Nation at Risk," which I certainly think is one of the great documents of this administration and of this particular decade, for that matter. I think April 26 is the actual date. I had hope as chairman of the Education and Labor Committee to commemorate that date in some way. However, time did not permit us to do so. I hope that this statement of yours and other statements will be entered in the record commemorating that historic occasion.

Joining with Ms. Futrell will be Carlton Braun, vice president and director of the Motorola Management Institute; Mr. Ernest Savoie, director, Employee Development Office, Ford Motor Co.; and Ms. Nancy Barrett, professor of economics, American University.

We will call on you in the order in which your names were listed, beginning with Ms. Mary Futrell.

STATEMENT OF MARY HATWOOD FUTRELL, PRESIDENT, NATIONAL EDUCATION ASSOCIATION

Ms. FUTRELL. Good morning. Thank you, Mr. Chairman and Congressman McMillan. I am Mary Hatwood Futrell, president of the National Education Association. I appreciate the opportunity to speak to you today about the student of today and the workplace of tomorrow.

As long as the American labor supply exceeded demand, businesses were able to select from among the most job-ready, ignoring persons less equipped to succeed in the work force. But today it is widely recognized that in order to prepare our Nation for the future we must educate more of our young people better than ever before. We must provide the resources to establish and maintain a comprehensive range of programs that address the needs of students entering the public schools.

Education institutions must place the greatest emphasis on basic literacy and numeracy, critical thinking skills, and the education of discovery so that Americans have the tools and the motivation to engage in the lifelong quest for education, especially in light of the fact that future workers will change jobs five to six times during a lifetime. Quite to the contrary, when we entered the job market we assumed that whatever career we selected we would pursue for life. That will not be true in the future.

We must restructure public schools in ways that empower students, school employees, families, and communities, and that provide public schools with the flexibility to adapt to a changing world.

Each year more than 1 million young people leave school before graduation. Many school dropouts are also dropping out of the labor force and are not even counted in unemployment rates. However, I think that you should be aware that it is not just the dropouts we should worry about. But employability is also a problem among high school graduates. Fifty-seven percent of all poor black recent high school graduates were unable to find jobs. Among poor Hispanic graduates, 41.6 percent are unemployed. The unemployment rate among poor white graduates is 34 percent.

At the same time more and more Americans are being educated than ever before in our history. Recent years have seen enhanced efforts to reduce truancy and dropout rates, introduce computer literacy and foreign languages in the early years, establish after-school programs, and enhance job readiness programs. As a matter of fact, before I became an NEA officer I worked in a job readiness program.

A higher proportion of our young people are better prepared for productive lives than ever before even while some 30 percent of today's school population is at risk. One in five children in America lives in poverty. One in 10 students has limited proficiency in English. Hundreds of thousands of students have undiagnosed learning disabilities, deep-seated emotional problems, or physical handicaps, suffer from poor nutrition, inadequate health care, or even abuse or neglect.

The problems many children bring to school are staggering, and the number of children in need and the severity of their problems is projected to increase dramatically in the next few years.

I believe that the message is clear. We must restructure our public education system and our social service system to better educate and support the youth of this Nation. Addressing the human, social, and emotional needs of these students is the single most effective strategy we can employ to meet the growing demand for a qualified work force and a productive citizenry.

Yet, without exception, Federal education programs to promote quality and equality in education have lost ground over the past 7 years as a result of a major campaign by this administration to disinvest in education. Congress must demonstrate a renewed commitment to the programs I have mentioned and work together with State and local education agencies to provide quality educational opportunities for all students.

At the same time, we must take this opportunity to fundamentally rethink the goals of universal public education.

This past weekend some 400 NEA members gathered to discuss the relationship between public education and the economy at a conference here in Washington. Our members heard and discussed ways that American public education must adapt in order to initiate rather than simply react to changes in the world economy.

We have seen changes in every aspect of life in the 20th century. Technological developments have already dramatically transformed the workplace, so much so that I think we make a mistake if we believe that by simply adding some high tech courses to the curriculum we can adequately prepare students for tomorrow's world.

The use of computers in education is a good example of a technology where students and teachers are learning together. In many cases students are far ahead of the teachers in both experience with computers and imagination about the applications of computers.

Increasingly, the primary role of a teacher must be to establish a structure for exploration rather than the traditional form of education in which a teacher instilled in students a set of facts which students later play back on paper-and-pencil tests.

Moreover, it is not only technological changes that impact the workplace. We must also change the way we, the members of the school family, work with the larger community and vice versa.

I believe that America's business and industrial community must join with school employees, policymakers, and parents to build partnerships to address the educational and social problems impeding the ability of our youth to prepare for the work world of tomorrow.

This also means that the top-down model for education patterned after the industrial model and designed to prepare young people for working within that system is no longer relevant. If we are going to prepare for the future we must involve teachers more in making the essential decisions that impact the learning process, give greater latitude to school districts and individual schools to be innovative, and engage students more in their own education.

Admittedly there are risks involved in this approach. Giving teachers greater autonomy will require the strongest assurances that teachers are qualified to use that autonomy in productive ways. Giving latitude to schools will require accountability to ensure that their methods are effective and that all students are well served in the system. Making students responsible for their own education means setting up a structure that challenges them to investigate, to understand the world in which they live, not cutting them loose to sink or swim.

NEA certainly believes that accountability is important and necessary to keep the public in public education. At more than 100 different demonstration sites NEA members are now at work fashioning innovative new approaches to learning and school structure.

This summer I will ask all NEA State affiliates to meet with their Governors, State school officials, and State legislators and together designate at least one district in every State as an experimental living laboratory to fundamentally explore the restructuring of America's schools to better prepare our young people for the future.

If school districts set out with specific goals in mind, as they have in the demonstration sites I mentioned earlier, and if they build on the lessons of these NEA projects, they will be successful. NEA finds it encouraging that there has been sustained interest in quality and equality in public education in recent years.

Making the kind of changes that need to be made in our system of public education will require more resources, but it will also require a kind of sweat equity. All Americans must roll up their sleeves and pitch in, investing their talents, their support and their resources to this essential enterprise. Unless all of us work together we will not succeed. Thank you very much.

Representative HAWKINS. Thank you, Ms. Futrell.

[The prepared statement of Ms. Futrell, together with the article referred to, follows:]

PREPARED STATEMENT OF MARY HATWOOD FUTRELL

Mr. Chairman and Members of the Committee:

I am Mary Hatwood Futrell, president of the National Education Association which represents 1.9 million education employees in elementary, secondary, vocational, and postsecondary schools throughout the nation. I appreciate the opportunity to talk with you about the ability of America's public schools to prepare our nation for the future.

The winds of change are blowing with gale force. We've seen a major transformation in the work place and intense competition in the world economy. We've seen an ever-accelerating pace of both technological and societal change. We've seen dramatic changes in the demographics in this country. Thus NEA commends the Subcommittee for these hearings on how we can best prepare for that changing world.

Public education is the cornerstone of our nation's economic vitality, national security, and social and political institutions. Public education will be the deciding factor in our nation's future success.

We must provide the resources to establish and maintain a comprehensive range of programs that address the needs of students entering the public schools.

Education institutions must place the greatest emphasis on basic literacy and numeracy, critical thinking skills, and the education of discovery so that Americans have the tools and the motivation to engage in the lifelong quest for knowledge.

And we must restructure public schools in ways that empower students, school employees, families, and communities, and that provide public schools with the flexibility to adapt to a changing world.

Until recently, American labor supply exceeded demand, and businesses were able to select from among the most job-ready — ignoring dropouts, illiterates, and others less equipped to succeed in the work force. And yet, changes in our nation's economy, population demographics, and changes in the work place have forced more Americans to come to grips with the issue of educational equity.

There is clearly room for improvement in American public education. More than one million young people each year leave school before graduation. As of 1985, about one-third of these young people, between the ages of 16-24, were unemployed. In addition, many of those who graduate from high school are not fully prepared either for advanced education or for the work place. As of 1984, some 25 percent of all college freshmen were enrolled in remedial mathemathics courses, 21 percent were enrolled in remedial writing, and 16 percent were enrolled in remedial reading. In addition, American businesses reportedly spend as much as $30 billion on formal job training and retraining.

However, we must not fall into the trap of believing that American public education has gotten worse in every area. More Americans are being educated than ever before in our history. More than 57 million Americans are formally enrolled in schools and colleges, millions more in job training and less formal educational activities. Three-quarters of our adults have completed high school; more than 86 percent of younger adults in their 20s have done so — twice the percentage of 1940. Six out of 10 of our high school graduates begin some form of more advanced education, and one-quarter of our younger adults have completed four years of college — more than twice as many as in 1960. Efforts are underway to reduce truancy and dropout rates, introduce computer literacy and foreign languages in the early years, establish after-school programs, and enhance job-readiness programs. And yet, while a higher proportion of our young people are better prepared for productive lives than ever before, the bottom third of our young people is almost totally unprepared.

It is important to emphasize that not only is our economy changing, but the face of America is changing. This has profound implications for the work place and for education policy. Conservative estimates are that as many as 30 percent of today's school population are educationally disadvantaged. These students may be one of the one in five children living in poverty. They may be one of the one in 10 children with limited proficiency in English. They may be one of the many children who come to school poorly prepared for classroom learning or not yet ready developmentally for formal education. They may be children of parents who are indifferent to their educational needs. They may be the children of teenagers. They may have undiagnosed learning disabilities, deep-seated emotional problems, or physical handicaps. They may suffer from poor nutrition, inadequate health care, or even abuse or neglect. The problems many children bring to school are staggering. The number of children in need of special assistance is projected to increase dramatically in the next few decades. There is hope for these students, and consequently hope for our nation, if — and only if — we as a nation provide early and sustained intervention to overcome these disadvantages.

The Children's Defense Fund recently estimated that a sustained investment in disadvantaged children, including prenatal care, preventative health care, Head Start, Chapter 1 compensatory education programs, summer jobs for the high school years, and four years of public college, would cost around $39,000 per student over 18 years, about the cost of 17 months in prison. The Committee for Economic Development estimates that each year's class of dropouts will cost the nation approximately $240 billion in lost earnings and foregone taxes over the lifetimes of these young people, not even taking into account the billions more in public expenditures that may be required for welfare, coping with criminal activities, health care, and other social services.

Addressing the needs of disadvantaged students is the single most effective strategy we can employ to meet the growing demand for a qualified work force and a productive citzenry. We must establish and support a truly comprehensive range of programs that take into account the human, social, and emotional needs of children.

We need to expand programs to assure quality prenatal and neonatal care, as well as programs to help young parents with parenting skills. Every day almost 1,300 teenage girls give birth. Many of these children will suffer from malnutrition, inadequate health care, low self-esteem, and other obstacles to learning and leading productive lives. The most effective dropout prevention strategy is to establish programs for children from birth to kindergarten to give them a solid foundation for success in school and in life. At present, only about 18 percent of eligible children are served in federally funded Head Start programs; only about one-half of 1 percent of the eligible children are served in comparable state-funded programs.

Quality affordable child care and early childhood education are important components of an investment strategy that will help ensure that students are physically, emotionally, socially, and developmentally prepared to be successful during their critical first years of formal education. Without access to adequate child care, far too many working parents, both couples and single parents, are forced to choose between unacceptable alternatives. The time has come for a federal child care program which provides guidance and resources to state and local governments, establishes standards, provides assistance to low-income families, and helps establish or expand child care facilities.

A similar situation exists with education programs for special needs students. Chapter 1 compensatory education programs for disadvantaged students serve only about 40 percent of the eligible students; federal Bilingual Education services serve only about one-tenth of the eligible students; federal assistance for handicapped education as a percent of the total costs, has fallen sharply since 1980. Without exception, federal education programs to promote quality and equality in education have lost ground over the past seven years. NEA believes Congress must demonstrate a renewed commitment to these programs and work together with state and local education agencies to provide quality educational opportunties for all students.

Meeting human needs is an absolute prerequisite to success in education. Federal, state, and local programs in nutrition, health care, housing, and the prevention of child abuse and neglect must be expanded and integrated to break the cycle of poverty and despair that hinder our efforts to improve education and consequently American society.

NEA is not alone in its recommendations for a significant federal investment in American children and youth. Economists, business organizations such as the Committee for Economic Development, and the American people themselves believe there is an inextricable link between the quality of education and ancillary programs and the quality of life in America.

Beyond enhancing these existing programs, we must also take this opportunity to fundamentally rethink the goals of universal public education. Some people believe we should return to the educational practices and procedures of an earlier time. Some believe we need more of the same: more hours in the school day, more days in the year, more credits required for graduation. NEA doesn't believe that either of these approaches is going to take us very far.

Today's hearing comes at an opportune time. This past weekend, some 400 NEA members gathered to discuss the relationship between public education and the economy at a conference here in Washington. Our members heard and discussed ways that American public education must adapt in order to initiate, rather than simply react to, changes in the world economy. The concepts discussed at this conference, and the conclusions drawn, will not be foreign to you. It is readily apparent that the industrial model for our economy, and thus for our schools, is outmoded, and that the only way to ensure our future economic vitality and national security is to make fundamental changes in our system of public education. Not change for change's sake, but change that reflects the predictions of economists, business leaders, and public officials for the coming age.

Robert Reich, the noted economist at Harvard's John F. Kennedy School of Government, pointed out some important trends in the economy and their implications for our educational system. Quoting from a paper he issued at our conference, "Productivity is no longer simply a matter of making more of what we already make at less cost per unit...To add greater value to the world economy we have to provide higher quality and tailor our products and services to the particular needs of consumers."

NEA believes that just as mass production is no longer adequate to meet America's economic needs, mass produced education is no longer sufficient to prepare our young people for the work place or the world. This point goes to the heart of the question this Subcommittee has raised about the adequacy of current education policy to produce a competent and skilled work force through the year 2000. If we remain on the current course, we can count on more of the same: a shrinking middle class, families that must rely on two or even three incomes to survive, and a growing underclass. Instead, we must chart a new course that takes into account present realities.

We have seen phenomenal changes in every aspect of life in the 20th century, and we have every reason to believe that the already dizzying pace of change will continue to accelerate. Developments in communication, transportation, and other technologies have already dramatically transformed the work place, so much so that I think we make a mistake if we believe that by simply adding some "high tech" courses to the curriculum that we can adequately prepare today's students for tomorrow's world. The use of computers in education is a good example of a technology where students and teachers are learning together. In many cases, students are far ahead of the teachers in both experience with computers and imagination about the applications of computers. Increasingly, technological developments will require that the primary role of a teacher be to establish a structure for exploration, rather than what we consider the traditional form of education in which a teacher attempts to instill in students a set of facts which students later play back on paper and pencil tests. Even in traditional subject areas, such as literature, tomorrow's students will be better served by an educational system that guides them through the vast array of choices rather than drags them indifferently through a limited scope of purely western, purely classical texts.

Moreover, it isn't only technological changes that impact the work place. Economists reject the traditional top-down decision-making processes of American business as too slow to adapt to changes in the marketplace. Consequently, America's schools will need to prepare students to work through problems and find solutions, and to accomplish that in a collaborative setting in which they share understandings and build on each others insights.

The top down model for education — patterned after the industrial model and designed to prepare young people for working within that system — is no longer relevant. If we are going to prepare for the future, we must begin to think in terms of bottom up processes: involving teachers more in making the essential decisions that impact the learning process, giving greater latitude to school districts and individual schools to be innovative, and engaging students more in their own education.

Admittedly, there are risks involved in this approach. Giving teachers greater autonomy will require the strongest assurances that teachers are qualified to use that autonomy in productive ways. Giving latitude to schools will require accountability to ensure that their methods are effective and that all students are well-served in the system. Making students responsible for their own education means setting up a structure that challenges them to investigate the world, not cutting them loose to sink or swim. NEA certainly believes that accountability is important and necessary to keep the public in public education. But we challenge the idea that accountability equates with a pencil and paper test or that accountability — particularly as it regards students — means there must be winners and losers.

For many years, NEA has maintained that ensuring a qualified teacher in every classroom should be a national goal. The most effective way to accomplish that goal is to grant teachers the authority to determine who enters the profession. NEA has worked to achieve that goal in our efforts to establish state Professional Standards Boards and the National Board for Professional Teaching Standards. When teachers control the teaching profession, they will demand of their peers high standards of education and training, they will demand high standards of competence, they will hold the line against setting one standard and then undermining that through provisional, emergency, and alternative certification.

The next step is to involve teachers in decision-making processes that have a direct effect on the quality of education in their own classrooms. State governments and local school districts have, to a large extent, taken the lead in education reform by imposing new requirements or modifying old ones. There are clearly appropriate state or local district administrative actions, particularly those that help ensure equal educational opportunity. But a state legislature can't write a curriculum that will be appropriate for all schools or all students. And a school district administration cannot establish procedures that are going to be proper or effective for every class or every student.

At more than 100 different demonstration sites NEA members are now at work fashioning innovative, new approaches to learning and school structure. Moreover, this summer, I will ask all NEA state affiliates to meet with their governors, state school officials, and state legislators and together designate at least one entire school district in every state as an experimental, living laboratory to fundamentally explore the restructuring of America's schools. One basis for this recommendation is the fact that the diversity of American public schools is one of our greatest strengths, one that school officials in Japan, for example, are investigating as they look at ways of improving their school system. And while innovative schools and alternative schools are an anathema in some quarters, NEA believes that if school districts set out with specific goals in mind — as they have in the demonstration sites I mentioned earlier — and if they build on the lessons of these NEA projects, they will be successful.

NEA finds it encouraging that there has been sustained interest in quality and equality in public education in recent years. But more than interest is necessary. Clearly education reform is an unfinished agenda. And yet, building a system of public education that is a solid foundation for a better America cannot be accomplished by speeches. It cannot be accomplished by issuing reports. And, with all due respect, it cannot be accomplished by Congressional hearings alone. Making the kind of changes that need to be made in our system of public education is going to require resources, yes. But it will also require a kind of sweat equity. All Americans must roll up their sleeves and pitch in, investing their talents, their support, and their resources to this essential enterprise.

Thank you.

[From the Washington Post, Sunday, Apr. 10, 1988]

AN EDUCATOR'S OPINION

Rescuing a Nation at Risk

In my last column, while discussing the fifth anniversary of the *A Nation at Risk* report, I said that if America is to compete economically with other nations, we must restructure education in profound, rather than superficial, ways. I also said that the previous five years have produced little leadership from the Reagan Administration in financing American education.

This past Friday, at an NEA-sponsored conference in Washington, D.C., nationally renowned Harvard economist Robert B. Reich tackled this critically important issue of restructuring education. Reich began by pointing to two missed opportunities in recent American history.

First, as the high-tech information age rose from the ashes of the industrial age, public policymakers took little note. Our schools continued to prepare students for jobs that demanded conformity rather than creativity. Assembly-line schools designed to prepare students for assembly-line jobs remained the norm.

Second, policymakers hid from the challenges posed by the emerging global economy. Schools met this new economic reality with old educational habits, and America remained wedded to a two-tiered system that sharply divided the educated elite from semi-educated, semi-literate workers. As a result, America now shares the marketplace it once owned.

Our schools became anachronisms. Our curricula became obsolete. Our workers became unprepared for the changing economic environment. America became a nation at risk.

Reich insists that today's challenge is "to provide our children not with *more* education, but rather with a *different kind* of education." An education that introduces them to high-tech creativity. An education that stresses experimentation, not only repetition and drill.

Reich notes that the engine of American productivity is no longer fueled by an elite corps of managerial wizards. The new engine is collaboration—*collaboration among workers at all levels.*

Mary Hatwood Futrell
President, NEA

That kind of collaboration demands schools that place less emphasis on competition, more emphasis on cooperation. We in NEA are working hard to build this cooperation. In over 100 school buildings around the country, NEA experimental programs are empowering teachers, helping faculties make decisions at the school site.

Professor Reich understands that rescuing a nation at risk demands turning the educational status quo upside down. Cosmetic changes in education will produce cosmetic results. A nation at risk will be saved only by a nation of risk-takers.

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Representative HAWKINS. The Chair would simply ask permission that the introduction of each of the witnesses will precede their presentation. We have at least a page on each of the witnesses. I will not take the time to further distinguish witnesses that are already well identified. We think that for the sake of the record their introduction should precede their statement.

The next witness is Mr. Carlton Braun, vice president and director of the Motorola Management Institute. Mr. Braun, I understand, is accompanied by Mr. John Robinson, manager, external relations-education. Mr. Braun, we will hear from you at this time.

STATEMENT OF CARLTON BRAUN, VICE PRESIDENT AND DIRECTOR, MOTOROLA MANAGEMENT INSTITUTE, ACCOMPANIED BY JOHN W. ROBINSON, MANAGER, EXTERNAL RELATIONS, TRAINING AND EDUCATION CENTER

Mr. BRAUN. Good morning, Chairman Hawkins and Congressman McMillan. It is a pleasure being here this morning and sharing some of our thoughts on the concept of the year 2000 and where we see ourself today with the work force.

Picture, if you will, the year 2000. What will our factories look like? Motorola is in the high technology type of manufacturing, so I will speak to those issues as it relates to high technology electronic type manufacturing.

Computers will play a big role in the factory of the future in the year 2000. If you will, you can envision the data operating in a factory is really the main arm of how a factory will operate. The computer networks will allow the factories to have fewer people within the organization for managerial supervision and control. You will see a lot flatter organization than what we have today in the hierarchical sense of a general manager operating a factory to the direct labor people as we know it today. Probably the spans of control may be from 8 to 10 and the layers of organization will probably be from 8 to 10.

It is envisioned that the factory of the future, of the year 2000, and the factory with a future will have probably a layer of organization of two to three, from the senior person operating the facility and managing the facility to what we would consider knowledgeable workers, the knowledgeable worker that operates the factory in the year 2000.

This is possible because of the computing abilities that we will have in the year 2000 and of the advances made in automation and mechanization.

If this is the factory of the year 2000, let's explore the factory of today.

Most factories today fight for their existence. We have intense global competition. Not just from Japan and some of our European countries, but we also have Korea and Taiwan and some other emerging countries that are in fierce competition with Motorola and other high technology companies in the United States.

Our work force today has changed to a degree from what we had as a work force 10 years ago. We are expecting our work force today to be more literate in the areas of reading, writing, and arithmetic than maybe we all learned when we went to school.

We find, however, in our most recent experience in establishing breakthroughs in new manufacturing performance—and this is not using robots or automation, but trying to do things a lot smarter than maybe that we have in the last 10 years—we find that the operators in the work force, the people that are actually in the production areas and operating the production lines have to have greater skills in the areas of problem solving, the ability to perform maintenance on their own equipment in their own areas, to be able to do mathematical calculation, and be able to take a written document and be able to interpret this written document, and be able to act on this written document, such as procedures, specifications, et cetera.

We are finding, much to our disappointment, that the school systems today are not allowing these people coming into the work force to have the basic skills necessary for us to be able to operate the factories of the future, let alone talk about the factories of today versus the factories of the future.

In the prepared statement that was submitted it cites an Arlington Heights, IL, factory where we had the opportunity of breaking through to a new level of performance, higher quality output, and more complex types of product. We had to be very selective of the employees that went into this work environment, and then the employees that finally ended up in this work environment. In this production process, we had to again give them some remedial training in the areas of arithmetic, English, and simple statistics for them to be able to work in a team environment.

That says that we over time have, I think, lost sight in our primary and secondary school system of the workers and the skills the workers need for even today's environment, let alone thinking of the year 2000.

If we do not solve the problems of today, I think we will have a very difficult time in the year 2000.

I will ask my colleague John Robinson also to make a couple comments on this, because John is in touch with this on a day-to-day basis in trying to understand some of the issues that we have and what we, Motorola, and other industries like ourself can do in order to help the situation so we do have a viable work force in the year 2000 and a viable manufacturing presence in the year 2000. John.

Mr. ROBINSON. Good morning, Mr. Chairman and Congressman McMillan. We see a bright future for our Motorola business and our friends and associates, and our friendly competitors also see a bright future. One of the biggest challenges we face, as Mr. Braun has outlined, has to do with the work force we have.

Frankly, the factory of the future is the factory of today. Not only have we a challenge in our plants in the Illinois area, but also in Florida that are a step or two ahead. In those factories we are even using automation that came from Japan. But in both cases the work force has to be competent. We are looking at minimum eight grade skills today. The dilemma we face is that the people coming to us with high school diplomas don't have the skills that they need. They thought they had the skills; we thought they had the skills; but when they actually begin to work we find, mutually, the skills just are not there.

We frankly can use some help from the Federal Government as a partner along with the educational system. It is really a three-way partnership: Federal Government; academia, primary and secondary; and business.

We would like to entertain a dialog for readjustment of some legislative priorities. We think there are several items that need attention.

One is the Educational Assistance Act which has been introduced. That would allow basically tax free tuition reimbursement. That expired last December. We are seeing a great agony right now with our females and minorities who frankly don't understand why they are being taxed for tuition reimbursement when they are trying to better their lot in life. That is a tough one for them. It is very hard to explain to a single parent with two kids making $17,000 a year why the Federal Government has to virtually take all their paycheck on April 15. Their view is there has got to be another way to cover the Federal deficit, et cetera.

We also see there ought to be perhaps a window of relief on the Fair Labor Standards Act to allow the employers to go back and do some of the educational remedial work. If the employees are willing to volunteer to go back to school and the employers are willing to pay for it, we do not think that the employer should have to pay overtime for people going to school. We think that is not a viable opportunity. The caveat, of course, is that if the employer must be willing to provide it and pay for it, the employee ought to be willing to volunteer for it, but we don't think the employer should have to pay overtime for people going to school for skills that they thought they had and we thought they had.

One final one we would like to touch on has to do with JTPA money. Today most of the money from JTPA has to go toward providing education and training for people who are presently outside the work force. We would like to see that readjusted so that some of the JTPA money, perhaps as much as half, can be used for people who are already employed so that we can remain viable and keep jobs here in America. So that when others who are being trained now are looking for jobs there will be a viable manufacturing environment where they can move and have jobs. Without that kind of relief we are very concerned that some of those jobs will have to migrate off shore just to remain competitive.

So we ask you to think about some of those things. Those are outlined in detail in the prepared statement.

Representative HAWKINS. Thank you, Mr. Robinson and Mr. Braun.

[The prepared statement of Mr. Braun follows:]

PREPARED STATEMENT OF CARLTON BRAUN

It is a pleasure to appear today before the distinguished members of this Committee. The leadership of the Senate and House and this Committee have demonstrated a strong sense of urgency and seriousness of purpose in examining the adequacy of U.S. education and, in particular, the problems of maintaining a productive U.S. workforce that can compete on a global basis. The factories of the future have become the factories of today. All of our long-range forecasts indicate that the requirements to manage change and to increase the skills and knowledge of our employees need to be implemented now and throughout the foreseeable future. Everything depends on the steps taken now.

By the year 2000 there will be major changes in the composition of the workforce. In summary, there will be a distinct dichotomy between workplace needs and workforce capabilities. This challenge needs a response NOW but let us assess the problem and look at potential solutions. We can not afford an inadequate response. Some facts:

(1) Minority youth will increase, while total numbers of youth of working age will decrease.

(2) Entry level jobs will increasingly require a higher level of technical skills.

(3) Women (single parents) will account for the majority of laborforce growth, and

(4) Over 70% of workforce in year 2000 is already working today.

The jobs these people will be doing will constantly be restructured and will require retraining.

My intention is to place on the record:

(1) Information regarding the people skill requirements that Motorola finds necessary in order to maintain a competitive workforce.

(2) An overview of the recommendations from our Training Managers regarding employee retraining.

(3) Suggestions of ways the Federal Government might provide incentives to motivate the worker and industrial organizations to continuously improve the knowledge and skill level of the workforce.

Motorola, a corporation which employs 99,000 individuals (of which 60,000 are employed here in the United States), has a high level of concern regarding continuity of employment. We have installed a system of buffers to protect our regular full-time employees, such as the use of part-time workers, vendoring, worksharing, over-time control, and continuous education and training. The nature of our jobs have changed dramatically in the past five years requiring ever increasing skills and knowledge.

85% of the employees hired today and current employees who are to remain a productive member of the team need to be competent in the skill areas of:

(1) the English language, written and verbal,

(2) problem-solving techniques,

(3) statistical process control methods,

(4) basic mathematics,

(5) team processes, and

(6) keyboard utilization.

Over 30,000 of our people conduct much of their work utilizing computer terminals, computer control devices, and word processing equipment, as job aids.

Our Trainer's experience has been that the majority of our new hires are deficient in many of these areas. Again, we are playing "catch up", doing remedial work instead of being efficient and at full production.

Because of constant change in the marketplace, technology, systems, and structure of organizations, it is necessary to continuously upgrade the skill level of our entire workforce. Over the course of 7-10 years, we must literally retrain each individual. We can not afford to continue playing "catch up."

As a major electronics corporation, Motorola invested $44 million in 1987 in the training of our employees. Most of that -- over 90 percent -- was invested in upgrading the skill level of existing employees.

The $44 million does not include the cost of employees' salaries and benefits while training occurs - that cost is additional.

Thus, the total investment is over $100 million when participant salary, benefit and lost opportunity costs are included.

This investment resulted in providing over 2 million hours of training to our U.S. employees. This includes 600,000 hours of in-plant training sponsored by the corporate training department to implement corporate-wide programs in quality improvement, cycle time reduction, and participative management.

An additional 500,000 hours of in-plant training was provided by the local sites, and employees were instructed in the use of new automated equipment, new systems and procedures, and new products. Many of these new products are being designed and manufactured at a rate 50% faster than just a couple of years ago. An additional 1,000,000 hours of training was provided through our Educational Assistance Program to employees who are pursuing associate, bachelor, or masters degrees. The total cost of the Educational Assistance Program is $3.5 million annually.

As you well know, Tuition Reimbursement, Section 127 of IRC, expired on December 31, 1987. This assistance allowed employees the opportunity to upgrade their skills without tax penalty. It also meant upward mobility and tuition aid to employees who are graduate level teaching and research assistants. 72% of employees using this incentive earn less than $30,000 a year and 54.8% use tuition reimbursement to learn basic skills like reading and writing and to upgrade their technical skills.

To further refine our efforts we currently are determining what training should be required, focused, or developmental.

(1) Required training targets, specific programs to new employees and those employees nearing or desiring promotion.

(2) Focused training is that training required of a segment of Motorola's population in order to implement one of Motorola's specific business strategies.

(3) Developmental training, which is dependent on the individual employee, allows an individual to update skills needed to do todays or tomorrows job.

At the beginning of 1987 it was anticipated that 40 to 80 hours of education training annually will be necessary to keep our management and workforce current.

In order to make sure that we have identified the right areas, we established Training Advisory Councils at all of our major sites. These councils enable local management, professionals, and members of the workforce to identify what the training requirement needs are at their site today and tomorrow.

However, and please pay close attention, in conjunction with those programs we tested our semi-skilled and skilled workers extensively, and at great cost. The results indicated the United States education system is working for too few of our employees.

Many semi-skilled can not read or write effectively. Unfortunately, they are functionally illiterate for the future. Our Supervisors all concurred on this. They discovered our employees did not know the basics, had little successful testing experience, and had been passed through the system. It puts self-esteem for many at an all time low and leaves some areas facing deficits in required worker skills. In a recent newly automated factory start-up we only found 125 of 500 employees who could meet minimum 8th grade standards for Math and English comprehension. Retraining will be required for the others.

For example, Diane Hays, Motorola's Training Manager in Arlington Heights summarized the results of her research this way: "our local experience has shown us the school system is not providing the basic skills - there is horror story upon horror story of workers who can not read, can not take tests and can not do simple math.

In our high schools, cost prohibits many of the industrial classes of the past. Hands on learning experiences, where a large segment of students found their lifetime direction and self-esteem, are gone today. These people are lost. They become discouraged, they drop out, or, worse scenario, are just passed along. Thus business has to become their remedial teachers.

Given the situation, the work site is the most expedient way to educate and retrain these people. When education involves their bread and butter, they learn very quickly."

Diane's assessment was reiterated by many of our other training and operations managers.

Meanwhile, two of our major industrial competitors, Japan and the Federal Republic of Germany, are developing and maintaining very productive workforces, not only in large companies, but in mid-size and smaller organizations as well. In Japan, 10% of the national income is spent on education, much of it on continuing employee development.

In Germany, apprenticeship programs aim to ensure every person entering the labor market is occupationally competent and qualified. There are approved training firms offering 439 occupational training programs for their people. This system is funded 20% by the regional governments, with the employers picking up 80% of the tab.

In Japan and Germany children enter school speaking their native language and progress very rapidly. In the industrial areas of the U.S., the large numbers of children enter school without comprehension of English. They immediately fall behind. Pre-school English language classes could be one long-term solution to our education problems in the workplace.

The question, then, is not what to do for the year 2000 but rather what must be done in 1988 so that we will have jobs in the future.

To address the challenge we all face together, we suggest Congress initiate the following:

(1) Reactivate the Employees Education Assistance Act (IRC-127) for tax free tuition reimbursement.

(2) Modify the Fair Labor Standards Act (FLSA) to allow employers who are willing to pay for re-education after hours to do so without having to also pay wages where employees are willing to volunteer their own time.

(3) Modify JTPA programs to enable local P.I.C.'s to spend half of the funds to prepare workers for jobs and half to retrain existing, employed workers for new technologies.

(4) Strengthen federal funds available for Math, Science, and Literacy in primary, secondary schools.

Supporting the need to balance the federal budget and reduce the debt, I am not suggesting new funds be allocated, but rather that existing funds be re-deployed to maintain the skill level of currently employed individuals rather than training people for jobs that do not exist or training people who do not want to work.

At Motorola, we see excellent worldwide economic opportunities for our products and services. The factory of the future must be the factory of today. In business, we cannot put off until tomorrow what must be done today.

Industry, Education and the Federal Government must work in concert for excellence in the workforce 1988 - then American will truly have jobs, products and be at full strength in the year 2000.

In this competitive environment, the electronics industry needs to be able to maintain workforce flexibility. We must act now. If our people are well trained and can be proud of the work they do, it will save money across the board. The impact will positively affect families, crime rate, drug use. Once again, we all agree education is the place to begin.

Job upgrading and life-long learning are truly new concepts for the American economy. But in a competitive global market, they are not merely quality of life issues but questions of economic survival. Only with the best developed workforce can we hope to compete globally and to ensure that the quality of life in the United States is maintained and improved. We at Motorola are committed to these critically important goals.

Representative **Hawkins**. The Chair would like to interrupt to welcome Representative Hamilton Fish of New York, another member of the Joint Economic Committee. Congressman Fish, if you care to make a statement, we will be very glad to have it.

Representative **Fish**. I have no statement, Mr. Chairman.

Representative **Hawkins**. Thank you. The next witness is Mr. Ernest Savoie, Ford Motor Co., director, Employee Development Office, Employee Relations Staff. Mr. Savoie, we welcome you.

STATEMENT OF ERNEST J. SAVOIE, DIRECTOR, EMPLOYEE DEVELOPMENT OFFICE, EMPLOYEE RELATIONS STAFF, FORD MOTOR CO.

Mr. **Savoie**. Thank you very much, Chairman Hawkins and members of the subcommittee. We have prepared some testimony on Ford's transformation, which I think is a critical ingredient in what we are talking about today, and also a document entitled "From Vision to Reality" which documents some of the education and training efforts that Ford and the UAW have put together that are models that are being looked at by other companies and other unions.

I am also personally delighted to be here, because as the father of eight children I have an interest in their future and in the future of this country and of our educational system. I would like to talk briefly about four items.

One is the change in the company. As Ms. Futrell said, the workplaces are changing and they must change. This obviously has something to do with the education for those workplaces.

Second, I would like to address what are some of the education and training initiatives at Ford Motor Co. which extend far beyond simply the entrance and the shop floor but go all the way up to our board room.

Third, I would like to talk briefly about future investment and employment prospects at Ford. I obviously cannot talk for the whole auto industry since this is now a worldwide industry, ranging from very, very small employers to the largest industrial organization in the world.

Finally, just a few words on the need for a national commitment to the education and to the competence of the labor force.

I think it is appropriate that we begin our discussion with a look at the transformation of Ford Motor Co., because in the early 1980's this certainly, to parallel one of the phrases that was just used, was a company at risk and a company that decided to rescue itself from that risk.

The first thing we knew we had to do in an era of oil gluts and recession and shop changes of all types and the great turbulence was to change our style of management and to enlist the commitment of our employees. So we launched efforts in participative management, employee involvement, group problem solving that really shifted the power and shifted the way in which we operated within our firm. That is a matter of broad record and has been disseminated widely in society and many of our professional associations.

One of the things that we learned is that there must be many sources of participation. Obviously this means that the more knowledgeable the people are, the broader their education, the more they can participate.

Our foray into participation led us into employee development. It was a very natural concomitant of that. That is one of the first lessons we learned.

Another lesson we learned was the lesson of excellence, that all employees wish to produce excellent products and excellent services and not just management, that they were willing to work and willing to be committed.

We also learned that long-term job security must be some type of an element if we wish to enlist the work force and its commitment, and that we must be concerned about their health and about the belonging needs of employees, and that this was a commitment that we must make on the side of management. With the UAW we have put in new educational programs, health programs, employee assistance programs.

At a time when actually there was no money, we still decided to go into that area and to put funds aside for that change in the work force, so that our change would come through our people commitment; that no strategy, no matter how powerful it was, could be delivered without the commitment of that work force.

Finally, we said that we must have a special effort to the professional and personal development of people, both the dislocated and those who would be at work in the new years, particularly going into the year 2000. Where two-thirds of the work force is already there is the team of the year 2080. You have heard of Team Taurus and what we were able to accomplish with that cross-functional approach. There is also Team 2000 with us today.

The response to our education efforts, many of them with the UAW, was phenomenal and beyond what we had expected.

In the hourly arena, some 15,000 people have taken computer literacy on their own time. In many cases we bring fully equipped trailers right to the plants where the employees can become computer literate, choosing courses of their own. There are some 6,000 people working with the local community systems where we bring this right into the plant, with computer based training, open entry, open exit, or in basic skills training.

Our college tuition enrollments have tripled. Researchers have looked at this and they have found that this is an absolutely remarkable development, and they hold it up as a model for future cooperative developments between educational institutions, government and industry.

In our hourly UAW we have some 109,000 workers. Fifty-six thousand participated in some form of educational activity last year. One-half of our work force voluntarily took on an educational experience of some type.

In our salaried programs we have also done the same thing, and we have had some 220 special programs with 137,000 offerings.

The results of all of this, I think, speak for themselves. In terms of bottom-line results which people like to talk about, our product quality has improved 60 percent, and our market share is up. Our costs are down, and our efficiency has improved. We have had for 2 years in a row the best profits worldwide in the auto industry, and last year we shared some $636 million profit sharing with our employees.

This is the result of upgrading which takes place in an environment of commitment. I believe that for the competition of the worldwide nature that we are facing, that management has a responsibility and unions have a responsibility with their management to build that type of environment in which professional growth and development take place.

With respect to education and training for the future, changes have occurred and they are occurring now, all the way from the floor to the board room. Our hourly employees must learn not only statistical process control, but they must learn to work in new group configurations, new forms of team work; they must be skilled and willing to work in such configurations.

Our skilled employees are now computer literate and must handle entire machine systems as opposed to simply individual machines, and they must understand the production process.

Last year we gave some 75,000 hours of training to 3,500 of our clerical employees in the areas of word processing and computer usage as we go into the work of the future.

Our manufacturing engineers are now using what used to be theory on computer aided development, computer integrated manufacturing design. We have some 5,500 people now enrolled in some 54 courses.

All of our managers are required to take and practice new forms of participative management and employee involvement as we work into new areas such as process improvement, concept of customer, design for assembly, and a special customer focus.

We even established an executive development center where 2,000 people worldwide have come to learn new strategies and to cement our new relationships.

Beyond that, we have extended many of these courses to our suppliers and to our dealers. We know that as a Ford family we cannot exist just by ourselves where 70 percent of our work comes from suppliers. We share many of the processes and many of our programs with them.

You may find it interesting that with respect to dealers that in the after market an auto technician in 1965 needed to know perhaps 5,000 pages of technical material. With that he could service perhaps any car on the road. Today those same technicians would have to know, if they really wanted to service any car on the road, about 465,000 pages of material. That is about 250 big city phone books.

We are working with more in cross-functional teams and coordinated groups. We have major efforts going on in program improvement. All of this will continue. So Team 2000 will need for us to be even more skilled and work in team work to even a larger extent.

The predictions by all observers of the auto industry is that there will be a serious overcapacity of some 5 million units as we go into the 1990's. There will be one-third more vehicles than buyers. Some 11 countries are selling vehicles here. Work in terms of absolute employment levels will disappear, perhaps by some 20 to 25 percent according to some predictions. This, of course, will happen in all manufacturing. The predictions are that manufacturing will be 15 percent of the work force in the year 1997.

Ford feels we must be competitive if we wish to have as many U.S. jobs as possible in this environment. However, we see no absolute employment growth at Ford. Despite this, there will be replacement employees, and because we have generous retirement benefits and a relatively older work force—our average age is 44—it is kind of remarkable that all that education is taking place with that type of work force—we forecast that if we had current market share, if we had no changes in technology, we would replace some 50,000 people by the year 2000.

We also see a need for a national commitment to education and to the increase in labor force competition. Many of our problems are a vexing social type that can only be resolved with the private and the public working together. We feel we must join together for solutions. We are convinced there are workable answers.

We have worked in partnership with some 100 educational institutions. We have worked in partnership with the Government under the Job Training Partnership Act. Working together, we have established 12 regional employment assistance centers. These are described in the "From Vision to Reality" document.

I think we also need more research on how to support progress in our educational institutions, more research with respect to the applications of technology.

I think it is important that the development of individuals and of human resources continue to be a key factor in our public policies and in our private applications and that we work together to make this happen. This is the way America was built in the past. I believe it is the way it will be built in the future. We believe at Ford that Team 2000 is with us already; two-thirds of those people are already at work; and we must emphasize not only new entrants to the work force, not only the help for the dislocated, but also a bootstrapping of all the education within the existing work force. Thank you very much.

Representative HAWKINS. Thank you.

[The prepared statement of Mr. Savoie, together with the document referred to, follows:]

PREPARED STATEMENT OF ERNEST J. SAVOIE

TOWARD THE YEAR 2000:
THE FORD DIRECTION

Introduction

Ford Motor Company is pleased to participate in the important endeavor this subcommittee is undertaking.

The auto industry, of course, is made up of a great many diverse companies, ranging from suppliers with a single small facility to the world's largest industrial organization. Each of them presumably has its own perceptions and viewpoints on the subjects we are discussing today. My remarks, obviously, will be limited to Ford's experience and Ford's sense of the future.

Even though the year 2000 will be here in less than 12 years, forecasting that far ahead -- whether for the economy or for a particular company -- is a risky and uncertain process. Technical, social, and competitive changes are happening at a breath-taking pace. In today's turbulent environment, we can no longer discover the future by extrapolating past and present trends. In truth, in our business, when we cast a long glance down the road, we can only make what amount to "best guesses."

Ford's Transformation in the 1980's

Ford's experience during the decade of the 1980's is a logical starting point for my remarks because these indeed are turbulent years -- and they have taught us important lessons. As we head for the year 2000, the lessons we learned may be instructive for others as they too seek to increase their competitiveness.

As the 1980's began, the U.S. auto industry was mired deep in recession. Our sales had plummeted, and all the domestic producers were having serious financial problems. It was clear -- to Ford, at least -- that our trouble was not simply due to the business cycle. Embedded in it were such powerful factors as the need for improved quality, an explosive growth in worldwide competition, oil crises, lack of trust in the workplace, ill-defined corporate values, and decades of adversary labor-management relations.

The only real solution for Ford, we determined, was a total transformation of our Company. So we set about the difficult task of rethinking, redirecting, and reshaping almost every feature of our entire organization. This was a task for all of us, at all levels of the Company. Ultimately, we altered everything from how our products look and work to the fundamental ways in which we address our customers, our employees, our unions, and the world around us.

We, in effect -- and without fully realizing it at the time -- began to change the very culture of the Ford Motor Company.

We gave special attention to establishing creative new approaches to employee relations and labor relations, stressing in particular training and education.

All this, not surprisingly, made good sense to our employees and their unions, so they joined us in our transformation effort. As they did, Ford began creating what has been called an "industrial miracle."

The Lessons We Learned

In the process of our turnaround, we learned a great deal about managing the workforce of today and tomorrow.

The first thing we learned was that employee cooperation -- employee commitment at all levels -- is still the bedrock of all corporate strategies. However carefully management plans for the future, those plans will succeed or fail depending on how well the total employee team responds to them. Business success or failure now rests heavily on this stark truth.

An organization's real key for the future, then, is whether or not its managers learn how to obtain employee commitment. This, more than anything else, will determine if its products and services are of a high quality.

To achieve employee commitment, we must recognize that managers, for the most part, are dependent on the power which is accorded to them by their subordinates. They need to understand that without the willing cooperation of subordinates, major projects are surely doomed, and even some of the most routine tasks will not get done.

This is a difficult concept for some traditional managers to grasp and accept. But, as the information age unfolds, today's employees already have been greatly empowered by their personal and professional knowledge. Jobs -- both in the office and the factory -- increasingly require high levels of technical and personal proficiency. In many cases, only the employee who does the job truly knows how it should be done, and how it can be done better.

We learned that as rapid growth and diffusion of knowledge takes place, new notions of power and leadership are formed. Power in the workplace increasingly must be shared. More and more of today's decisions have to be made with wide consultation -- or they just will not stick. Leadership of the informed employee is different now because the effective managers of today and tomorrow must be able to motivate and inspire -- not just control and direct.

Understanding the altered nature of power and leadership will become even more critical in the future, particularly as the nature of work and work organizations change -- and as we must function in an increasingly interdependent global environment with its many rapid developments.

Here are a few other important lessons for the future that our revitalization is teaching us.

- Excellence is just as important to employees as it is to management. Whatever their jobs, people want to be part of an organization that is known for being best in its class. One of industry's major challenges for the future is to find the right ways to channel this natural human desire.

- Long-term job security for employees must be a corporate goal, not just an employee and union goal. If employees do not believe that job security is a true corporate target, a company will find it extremely difficult to achieve the level of workforce cooperation it needs to succeed.

- There is great value in demonstrating genuine concern for the health and well being of employees. It deepens commitment in both directions -- employer to employee and employee to employer. Some of our joint programs with the UAW, such as the Employee Assistance Program and the Health and Safety Program, have been especially effective in this regard.

- There also is great value in providing employees with meaningful opportunities for professional and personal development. It is the natural complement to employee cooperation and commitment. The more sophisticated, the more knowledgeable, and the more capable the members of the team are, the more they can contribute. A better educated and developed workforce is vital not only to an employer's future, but is critical for our nation as well.

As we undertook our own broad-scale educational efforts, we found employees responding far beyond our expectations. The training programs we jointly developed and sponsored with the UAW are a particular case in point. On their own time, more than 15,000 active hourly employees have enrolled in computer literacy classes, more than 6,000 have brushed up on their basic skills, and our college tuition assistance enrollments have more than doubled.

In 1987, UAW-represented Ford employees voluntarily selected more than 56,000 educational and personal development activities under the UAW-Ford joint programs. That figure represents more than half of our hourly workforce, although we know that some individuals took more than one offering.

The overall rate of participation in these programs has increased year to year since their inception. Two researchers who examined the UAW-Ford joint educational efforts called this growth remarkable.

Dr. Gary B. Hansen of Utah State University said the UAW-Ford education effort is: ". . . a prototype of the kind of cooperatively-run institutions and new human resource development approaches that are desperately needed in America if we are to become competitive in the world economy of the twenty-first century."

Since 1983 we also have developed about 220 special training programs for our salaried employees. To date, these programs have benefited more than 137,000 participants. To assist in this endeavor, we established and equipped a central training facility for salaried employee education and training.

Our transformation efforts have had bottom-line results that speak for themselves: a 60 percent increase in product quality, an increase in productivity and efficiency, reduced costs and waste, a higher market share, and the best profits in the auto industry worldwide during the last two years. Last year alone, Ford employees earned profit sharing checks that totaled $636 million.

Education, Training, and Competency -- Now and Into The 1990's

The nature of the work being performed in the auto industry is much different now than it was only a few years ago, and swift change surely will continue to occur.

At all levels today -- from the assembly line to the policy rooms -- Ford employees are learning and practicing new problem-solving, participation, and teamwork skills. Only ten years ago, these skills, so vital to us now, were almost unheard of in the Company.

Today's hourly employees must operate and maintain extremely complex, highly technical equipment. And they often must learn some important new job skills that were never traditionally assigned to them -- such as statistical process control and the techniques of working in new group configurations.

Many of our skilled tradesmen must now be computer literate to diagnose and repair not just machinery, but entire machine systems.

Clerical and secretarial employees are now often technicians in the true sense of the word, routinely operating sophisticated computers, word processors, and other electronic equipment. During the last two years, 3,500 of our secretarial and clerical employees received about 75,000 hours of professional development training.

Our engineers today are working with space-age concepts -- such as computer aided design and computer integrated manufacturing -- that were mostly theory only a few years ago. Last year, more than 5,500 of our manufacturing engineers enrolled in 54 training courses we provide specifically for their discipline.

Managers and supervisors throughout the Company are learning a wide range of new managerial methods to enhance productivity, quality, and customer focus.

To round out our total transformation, in 1985 we established an Executive Development Center. Some 2,000 of our top managers from all over the world have studied there, learning new strategic planning, establishing new directions, and cementing our new cultural foundation.

Much of what we have done to educate and train employees also is going on in the extended Ford family of suppliers and dealers. The ability to service vehicles that are becoming more and more complex is a major challenge to the automotive aftermarket business. As recently as 1965, a technician who understood about 5,000 pages of technical text could service almost any vehicle on the road. Today, that technician would have to understand about 465,000 pages of technical text -- about the total number of pages you would find in 250 big-city telephone books.

Everywhere -- at all levels -- work is taking on new configurations. Tasks increasingly are being done by coordinated groups and cross-functional work teams. This is particularly true of the major efforts we have undertaken to improve organizational effectiveness -- efforts that go by such terms as product quality enhancement, process improvement, simultaneous engineering, total quality excellence, and concept-to-customer.

All of these changes -- and more -- will continue to occur. They will, in fact, accelerate. As a result, the Ford "Team 2000" will have to be even more competent and more committed. In less than 12 years, it will have to be even more technically proficient and even more skilled at problem solving, participation, and team building.

A whole new approach will be needed to train and educate the people who are going to perform the drastically different jobs of the future. Society generally may well have to make a larger investment in education to provide the intellectual foundation. And employers, both private and public, will have to make their own extensive investments in education and training -- investments that probably go far beyond traditional levels.

The American Society for Training and Development (ASTD) has put the task into perspective for us. According to the ASTD, by the year 2000, 75 percent of all employees in the United States will need to be retrained or taught fresh skills. Production employees will require about 42 hours of training every year, and the number of companies that teach remedial basic education will have to double.

The ASTD estimates that U.S. companies are now spending about $40 billion a year on education and training, not counting the cost of time away from the job. That is no longer adequate, and the bill may soon exceed the cost of the nation's university system, which is said to be about $55 billion a year.

A great deal is at stake. We like to think the stakes are growth, a rising standard of living, and a better future. But that may be putting a false face on things. The real stakes may be the survival of American industry -- maybe even the survival of the American way of life.

Future Investment and Employment

New competitive pressures have drastically altered the auto industry, and its future is uncertain.

By the early 1990's, we believe there will be an overcapacity of more than five million cars and trucks directed for sale in the United

States. In other words, there will be roughly a third more vehicles available for sale in this country than there will be customers to buy them. At last count, cars from 11 countries were being sold in the United States, and the list grows every year.

It is clear that some auto plants in the U.S. will disappear before the turn of the century. Perhaps even some of the world's present auto producers will go under.

The auto industry, of course, is not the only place where factory work is declining. By 1997 it is estimated that only 15 percent of the nation's non-farm employment will be in the manufacturing sector.

In the face of these trends, Ford is determined to remain competitive and protect as many U.S. jobs as we reasonably can. We have spent huge sums modernizing our plants in recent years, and we will continue to make large investments in products, facilities, and tooling.

But this does not realistically translate into growth in Ford's auto-related employment levels. Employment growth could be achieved only by sharp increases in our market share, and that will be very, very difficult to accomplish given the fact of industry overcapacity and fierce worldwide competition.

With today's realities, our emphasis must have a competitive focus. We must produce more and better with less effort and less cost. That is the classic definition of productivity. That is also the classic definition of value.

Our dedication to productivity, quality, value, and customer satisfaction is reflected -- together with out commitments to teamwork, integrity, and continuous improvement -- in a statement of Ford's Mission, Values, and Guiding Principles. This "Mission Statement" has been widely communicated at all levels of our organization because it emphasizes so many of the keys to ensuring that a Ford Motor Company -- or any other company for that matter -- continues to exist.

Although we do not expect our absolute employment levels to increase -- and, indeed, numerous factors could even cause a decline -- we do expect to continue to hire fairly large numbers of replacement employees. Mostly because of our generous retirement benefits, relatively few Ford employees stay on the job until they are 65. At current market share and levels of technology -- which, indeed, may be too static a model on which to base a forecast -- between now and the year 2000 we would need some 50,000 replacement employees in the U.S. facilities of the parent company.

The Need For a National Recommitment to Education and Labor Force Competency

There are, clearly, no quick and easy solutions to the problems associated with building competent workforces for the future.

Some of the most vexing issues we face are social. They involve growing educational gaps that have enormous implications for the nation.

Many training and education issues are essentially matters for employers, employees, and unions to address. But the government -- and perhaps even others -- could continue to play a valuable role.

The challenge is both broad and deep. Dealing with it will require the best efforts of every available resource. The nation needs to thoughtfully examine how government, industry, unions, and the academic community can effectively join forces to seek solutions. We need to determine the proper mix between public policy, private initiatives, and collective bargaining, and we need to design the structures and arrangements that will provide the money and services this will require.

We must do more. Beyond that, we must do better.

Ford is convinced there are workable answers. To find them, however, we may have to rethink our entire educational system from the ground up.

We believe the need to elevate educational standards in society as a whole has been demonstrated. We must not waste valuable time debating this issue. And there is no question that new attention must be given to the full range of job-related training, which includes the training people receive before they enter employment, while they are employed, and when they are forced to seek new employment. We are told the typical worker of the future will have seven different jobs, several different careers, and can expect to work for a number of different employers.

We also need to carefully probe a lengthy list of attendant subjects, such as the proper research needed to support progress and the particular problems and opportunities that are presented by technology.

It is very likely that some of the best potential answers will be found in private-public sector partnerships. Working together in responsible ways, we are convinced that government, industry, education, and labor can bring new perspectives, new thinking, and a shared sense of dedication to our problem. We note that the trade bill now being finalized by Congress provides $1 billion for retraining of dislocated workers. Ford believes this is the right direction for our nation to take.

Ford has had extensive experience with projects that were undertaken in partnership with the federal and state governments and with community and private educational institutions. Some of these were tripartite, involving our collective bargaining partner, the UAW; some were multi-partite. Some of our "partnership" projects have been remarkably effective and have earned wide recognition.

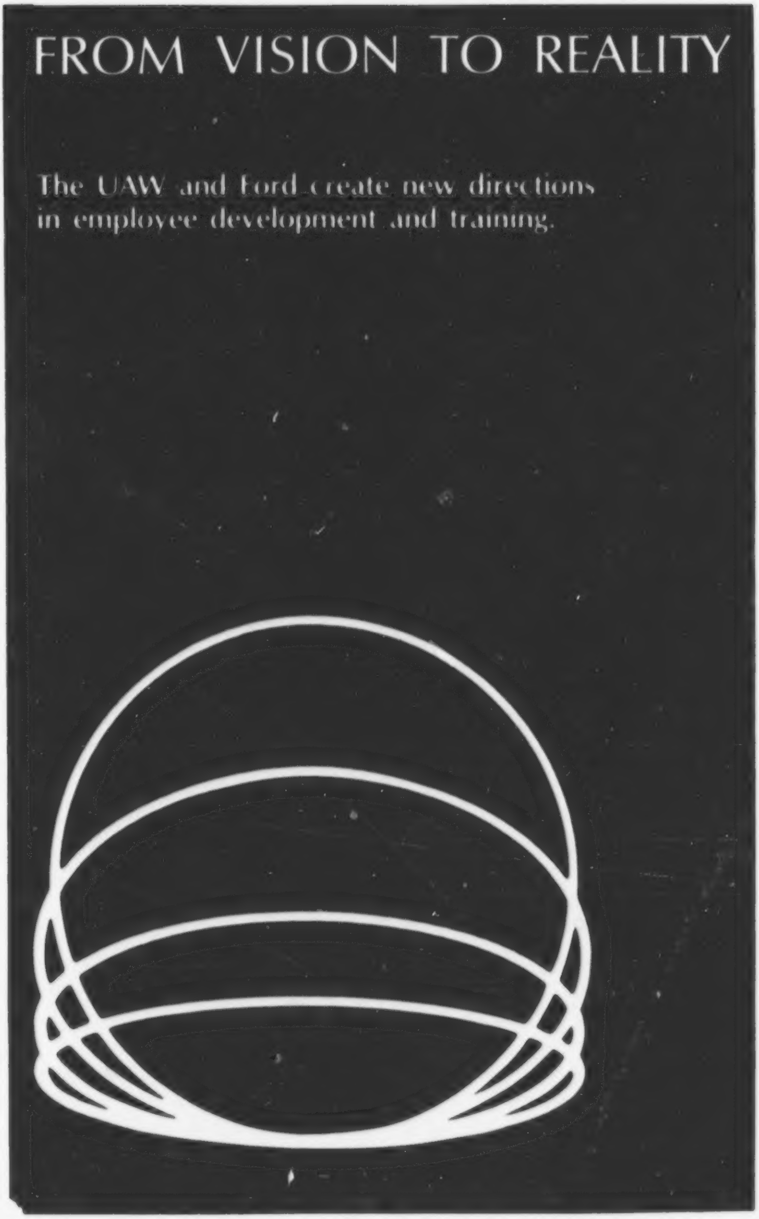
As one example, between January 1983 and now, 12 separate UAW-Ford Reemployment Assistance Centers for dislocated workers have been established and operated, sometimes with the help of supplemental funding under the Job Training Partnership Act (JTPA). These centers involve community colleges and other education vendors for counseling, retraining, job development, and placement services for the worker -- as well as some special family-oriented services. The structure and operation of the centers are described in a booklet titled From Vision To Reality, which contains articles on the UAW-Ford training effort presented at the national Industrial Relations Research Association spring meeting in 1985.

In very large measure, the success the United States has enjoyed can be attributed to the intelligent development and use of our human resources. Ford believes our success in the future will be achieved the same way. The nature of the human contribution has changed in some obvious ways, but our people are still the key to our future.

We must address the education of the coming generations and the future new entrants to the workforce. But we must remember that most of the people who will be at work -- at Ford and elsewhere -- in the year 2000, are the people who are at work today.

We must, therefore, also rededicate ourselves to developing the talents and skills of our current people -- and to applying them intelligently. And we must do it quickly. Time is running out for the current team.

Thank you.



FROM VISION TO REALITY

The UAW and Ford create new directions in employee development and training.

Introduction

When the UAW and Ford negotiated their joint Employee Development and Training Program in 1982, it was immediately evident they had turned new ground and were about to erect new concepts. Nowhere in private industry had any other union and company attempted anything similar. There were no precedents, no beacons for guidance.

That, of course, also meant the UAW and Ford were facing some major unknowns. Exactly what forms would the new concepts take? Where would the initial emphasis be placed? Who was going to be in charge of the Program and responsible for making things happen? What elements of the Program were likely to gain momentum quickly, and where was it going to encounter unexpected difficulty?

Today, many of the questions have been answered. And if there still are lingering unknowns and even a few new questions, at least the direction of flow is clear.

Overall, the results have far exceeded original expectations. The UAW-Ford Employee Development and Training Program has indeed added new dimensions to American labor-management relations. New chapters have been written in the art and science of joint endeavors, and long new strides have been taken in human development and fulfillment.

These achievements—how and why they were accomplished—are discussed in some detail in the four papers that constitute this booklet. But the reader also will find valuable discussions of some of the problems that developed, as well as insightful comments about the Program's continuing and future challenges.

All four papers were presented at the Spring (1985) Meeting of the Industrial Relations Research Association, and will be published in the IRRA's *Proceedings*. In addition, they will appear in the *Labor Law Journal*. This edition of the papers has been produced by the UAW-Ford National Development and Training Center as part of an ongoing program of publications.

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I An Outsider's Appraisal

An Assessment of the UAW-Ford Joint Approach To the Training and Retraining of Workers

By Dr. Gary B. Hansen
Utah State University

1

On the basis of the presentations made by our distinguished speakers from Ford and the United Auto Workers Union (UAW) we can look at the UAW-Ford joint Employee Development and Training Program (EDTP) from either the micro or macro level. At the micro level we can evaluate what happens when the EDTP is implemented in specific plants and locations during a plant closing or to provide educational opportunities for employed workers. Conversely, at the macro level we can assess the EDTP in terms of human resource development and/or industrial or social policies at the company, industry, or national level.

Thomas Pasco and Richard Collins have presented an excellent overview of the EDTP and a look at the variety and extent of services offered. Marshall Goldberg has given us some basic information and perceptive observations about the operations of the Career Services and Reemployment Assistance Centers designed to help laidoff workers in Michigan and displaced workers in plant closures in San Jose, California, and Sheffield, Alabama.

Our session Chairperson, Ernest Savoie, has given us a cogent and insightful analysis of current developments in training and retraining arising out of collective bargaining in other industries and a peek at the future agenda for the EDTP from the perspective of Ford. Taken together, these presentations convey a picture of the dynamic UAW-Ford EDTP as a pathbreaking training and development venture.

Because I believe the philosophy and concepts underpinning the UAW-Ford venture in employee development are of great significance to the nation's economic well-being, I will focus on the macro level of the EDTP and discuss it from that perspective.

During the past decade informed citizens and groups have expressed a number of concerns about the nation's future. Among the issues receiving considerable attention have been: (1) declines in productivity, major structural changes in the economy, foreign competition, and industrial competitiveness; (2) concern with the education and training systems serving the needs of the nation and its citizens; and (3) increasing concern about workers' quality of life in their places of employment.

The responses to these and other related issues have been extensive and varied. Numerous national commissions, presidential task forces, academic scholars, industry associations, companies, and unions have studied the problems and issued voluminous reports and recommendations. A few of their recommendations have found their way into legislation, policy, and practice. Interestingly enough, nearly every report and study of these problems has contained similar conclusions and recommendations about issues dealing with workers—particularly their education and development, training, management, and involvement in decisionmaking. To successfully meet the challenges we need:[1]

☐ More worker participation in decisions affecting their lives.

☐ Innovative approaches to work organization which will permit more participation and greater utilization of workers' skills, commitment, and enthusiasm.

☐ Opportunities for education and training (worker self-renewal and career education) for workers locked in dull, repetitive jobs.

☐ For workers in declining industries: (1) provision of timely notice of major impending changes in work-force levels or plant closings; (2) advance planning for work force reductions through attrition; (3) industry-specific training, retraining, and relocation programs; (4) programs for community readjustment.

☐ Greater investment in job-related training and additional incentives to encourage greater commitment to job training and career development among employees and employers.

☐ Labor-management cooperation. Labor and management should examine opportunities and incentives for working together to increase the productivity of their enterprise through training and other appropriate areas. Where appropriate, voluntary labor-management councils should be established to aid this process and to provide such services as defining training objectives and standards or managing training programs.

☐ Changing the attitude of learning in business and industry from "It is what we did in school" to "It is what we do everyday to make for a better job and a better life."

☐ Competent work force management and the mastery of production. The creation of production systems dedicated to on-going learning and communication, used in tandem with a skilled and responsible work force and up-to-date technologies.

American industry's response to these and other recommendations of the commissions and task forces over the past fifteen years has not been encouraging. It has consisted of a lot of huffing and puffing, some frenetic activity by a few companies to "do something," and a deafening silence on the part of the majority of firms. Unfortunately few examples of creative thinking, sustained effort, and innovative programming can be identified. The list of firms that have seriously addressed human resource issues and are dealing constructively with them is minuscule.

Given the general indifference with which private industry and government received the reports, it is all the more remarkable that a few business firms and organizations have implemented many of the commissions and task forces' recommendations. Among those on that short, select list are the auto industry, represented by Ford, General Motors, and the United Auto Workers Union and, joining more recently, the Communications Workers of America and AT&T. Remarkably, the charter of the UAW-Ford EDTP encompasses the essence of what the experts have recommended.

On the basis of my limited knowledge and research I believe the creation of the joint UAW-Ford EDTP represents one of the more creative and far-sighted cooperative approaches to human resource development in the private sector in the past two decades. This venture also represents one of the more comprehensive and exciting efforts in employee development and training currently underway in America.

In making these statements, three questions need to be asked and answered. Why and how did Ford and the UAW make the EDTP a reality? Why and how did Ford and the UAW negotiate contract language that addresses nearly all of the major human resource issues cited in the commission reports? What makes the UAW-Ford EDTP exemplary when compared to other jointly developed training and development programs? For complete answers to these questions we need to talk with key personnel from both Ford and the UAW—some of whom are with us today.

While I do not presume to know the full story behind the events leading up to the creation of the UAW-Ford EDTP, my guess is that they would include: (1) the auto depression beginning in 1979, which resulted in the subsequent layoff of nearly half of Ford's hourly work force; (2) the threat of Japanese competition and Ford's eye-opening studies of Japanese auto manufacturing systems; (3) a stable company-wide collective bargaining framework which accommodates centralized joint policy making; (4) the achievement of a level of "trust" in the relationship between the Company and the Union which allows for more creative and risky ventures; and (5) the state of "readiness" of Ford and the UAW as a result of the implementation in 1979 of a new employee relations philosophy known as employee involvement, which rested on the principle that:

> people have more to offer than the strength of their bodies—that when given the opportunity, the time and the training, they can and will contribute mightily in terms of positive ideas that solve work-related problems, improve the work environment, and enhance work relationships.

The UAW-Ford National Development and Training Center in Dearborn, Michigan.

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The 1982 collective bargaining agreement was another step in the development of the UAW-Ford relationship.

While the five foregoing events encouraged joint union-management measures, I believe a sixth event provided the real impetus to the creation of the EDTP: the presence of far-sighted Ford and UAW leaders who have a vision of what can be accomplished if they work constructively and cooperatively with each other and are prepared to act.

Several reasons can be given in response to the question, What does the UAW-Ford EDTP encompass that makes it exemplary?[19]

(1) The EDTP embodies broad and noble objectives. In the words of Ford and UAW officials, the program is:

> a venture to be revolutionary in scope, dynamic in character, responsive to the personal and career needs of UAW-represented hourly employees of Ford Motor Company and beneficial to the mutual goals of greater job security and increased competitiveness.

(2) The EDTP is not cut out of whole cloth, but is another piece in the tapestry of jointism constructed by the parties. It is one of a number of features that were crafted by the Company and the Union into a broad framework of interlocking arrangements designed to enhance job security, competitiveness, and mutual growth. The EDTP is complementary to and supplements a wide array of other programs and efforts.

(3) The EDTP is more than just a training and development program in the traditional sense. It is intended to be as much a participatory process as a development and training program, providing the employee, the UAW, and the Company a voice in a variety of new ways. True joint participation means that all interested parties at the national and local levels must have a meaningful role in the process and must feel responsibility and ownership.

(4) The EDTP deals with all hourly employees, including the needs of laidoff workers and the needs and expectations of active employees. Most employers show little concern for either group, a few show concern for one or the other group, but very few show concern for both groups.

(5) The focus of the EDTP is on the individual and is participant driven; programs and requests for assistance are locally initiated. At the same time it attempts to keep in touch with reality; there is no guaranteed outcome, the emphasis is on creating opportunities and empowering people to improve themselves.

(6) The creation of the National Development and Training Center with a physical home on the campus of Henry Ford Community College and a joint governing body consisting of key principals from the Union and the Company provides a permanent institutional base not normally associated with a program of this kind. The small NDTC staff, jointly led by persons drawn from the union and management, provide support and technical assistance to local EDTP committees and espouse a philosophy of networking to the extent practical with existing educational institutions and local community resources.

(7) The EDTP is undergirded by independent, negotiated financial resources. The basic "nickel an hour" fund (which in 1984 was increased to 10¢ per hour worked plus 50¢ per hour accrual for overtime hours worked in excess of 5% of straight time) provides the NDTC with sufficient money to be proactive, take risks, and leverage resources with other public agencies in the interests of EDTP objectives. The EDTP is not dependent on the vagaries of public funding or mood swings of Congress for its lifeblood. Witness the current disarray in Title III of the Job Training Partnership Act.

(8) The EDTP is a living, growing concept. It was not created to deliver a limited set of permanent or sacrosanct programmatic activities in the same way in every plant or community. The EDTP was given flexibility and freedom to grow and reshape itself over time, based upon the expressed needs of employees and the resources and opportunities available in their communities. The expansion of the EDTP's available resources and other changes in the 1984 collective bargaining agreement demonstrate the validity of this point.

(9) The EDTP works. The results of the first three years speak for themselves. As outlined by Messrs. Pasco, Collins, Goldberg, and Savoie, the programs, the leadership, and the initial outcomes of completed projects all suggest that Ford and the UAW have created a winner.

What about the future of the UAW-Ford EDTP? Are there any challenges ahead? My answer is yes, there are many challenges ahead, including:

(1) Maintaining Company and Union commitment and support for the program. Changes in Company and Union leadership could result in a loss of interest and involvement over time, especially in the face of pressures for a "return to normalcy" in Company-Union relationships during prosperous times.

(2) Maintaining the momentum, excitement, and sense of high purpose the new venture presented to NDTC founding staff and support personnel. With the passage of time come changes in personnel, growth of bureaucracy, routinizing of services, and complicated procedures.

(3) Holding fast to basic principles: flexibility, focus on the individual, keeping in touch with reality, true joint participation and multiple creation, and the desire to "try." These principles are the heart of the EDTP and must be preserved in order to ensure the vitality of the program.

(4) Establishing effective linkages between the EDTP and the internal industrial training system at Ford. Has industrial training at Ford been modernized and vitalized? Will the efforts of the EDTP and the internal training system be mutually supportive for both or will they be operated as separate and isolated systems?

(5) Developing career ladders and promotion opportunities for workers which take advantage of education and training provided through the EDTP. Will the EDTP contribute to the expansion of human capital for Ford or will it serve as a vehicle to prepare workers to seek opportunities elsewhere?

(6) Redesigning work to accommodate the learning environment and cooperative ethos which EDTP is capable of inculcating. Not all workers can move up a career ladder or be promoted to higher level positions. Can work at Ford be redesigned or organized to take full advantage of and foster human resource development in harmony with the goals of the EDTP?

(7) Developing enough expertise and experience at the local level to use the revenue generated by the new local training funds (accrual of 5¢ per hour worked) wisely and creatively. Local EDTP Committees will have to be careful not to be snookered by charlatans and consultants who have one patent medicine for every problem, whatever its symptoms, and are eager to sell it in fancy packaging at premium prices.

(8) Not taking on too many additional functions. There is a real danger that the NDTC may be given so many desirable new tasks and assignments that it will become fragmented and lose sight of its primary purpose of fostering human resource development.

(9) Maintaining effective control and leadership over the EDTP and not letting (a) "professionals" in educational institutions with their own vested interest (and declining markets) talk NDTC staff and EDTP committees into signing long-term agreements or buy "off the shelf" courses which may not be relevant to the real needs and interests of Ford workers, and (b) government officials directing the Job Training Partnership Act-funded remedial employment and training programs subvert or change the program directions in the interests of larger or ill-defined social goals.

(10) Preaching to the unconverted—internally and externally. Will sufficient resources be made available on a continuing basis to share ideas and disseminate information about the EDTP and its philosophy to others in order to have an impact on the larger society? Other employers and unions as well as some Ford and UAW people need to hear and believe the word if there is going to be continuing progress.

The UAW-Ford EDTP is unique because no similar program exists in any other industry in the United States at the present time—with the possible exception of the new AT&T-CWA efforts. The EDTP, with its extraordinary principles, dynamic level of activity, innovative funding, and record of success, serves as an exemplary but lonely beacon; it is a prototype of the kind of cooperatively-run institutions and new human resource development approaches that are desperately needed in America if we are to be competitive in the world economy of the twenty-first century.

I am not as optimistic as some about achieving progress throughout the rest of the economy. The decade is half over and, with a few notable exceptions such as those discussed by this panel, training remains "one of the untapped, unworked areas of labor-management relationships" in American industry today. It is my hope that Ford and the UAW will continue to lead the way and that other firms and industries will "see the light" and learn from their experience.

Footnotes

1 These recommendations were abstracted from the following sources: **Work in America: Report of a Special Task Force to the Secretary of Health, Education, and Welfare,** 1973. Washington, D.C.; **A National Agenda for the Eighties: Report of the President's Commission for a National Agenda for the Eighties,** 1980. Washington, D.C.; Pat Choate, 1982. **Retooling the American Work Force: Toward a National Training Strategy,** Washington, D.C.: Northeast-Midwest Institute; **The American Economy in Transition,** 1982. The Sixty-Third American Assembly, Arden House, Harriman, New York, November 11-14; **White House Conference on Productivity: Report of the Preparatory Conference on Private Sector Initiatives,** August 2-4, 1983, Pittsburgh, Pa. Washington: GPO; William J. Abernathy, Kim B. Clark, and Alan M. Kantrow, 1983. **Industrial Renaissance: Producing a Competitive Future for America.** New York: Basic Books.

2 Statement of Ernest J. Savoie, Director, Labor Relations Planning and Employment Office, Labor Relations Staff, Ford Motor Company before the Joint Economic Committee, September 23, 1983, 2.

3 Information on the EDTP in items 1 through 8 is based in part on the following: **1982 UAW-Ford Document Establishing the UAW-Ford Employe Development and Training Program and its National Development and Training Center,** 1982. Dearborn, Mich.: UAW-Ford NDTC; and Ernest J. Savoie, 1984. "Effective Partnerships: Employee Development as a Joint Labor-Management Project." **The Work Life Review,** III.

11 Working Together—Today and Tomorrow

Current Developments and Future Agenda in Union-Management Cooperation in Training and Retraining of Workers

By Ernest J. Savoie, Director of Labor Relations Planning and Employment Office, Ford Motor Company

Education, training, retraining, and employee development have long been part of the American hope and the American dream. They have helped pave the road to middle class life, contributed to the productivity and efficiency of the firm and of the economy, proven of value in facilitating social and geographic mobility, improved the social and political fabric, promoted the welfare of groups, and enhanced the quality of individual life.

Despite this, training and employee development have occupied a limited place in collective bargaining. Just as recently as September 1982, at a national meeting of Ford and UAW leaders, John Dunlop (former Secretary of Labor, Harvard professor, and guru of labor-management committees) observed:

> I have had the privilege of working with committees of all types.... The thing that interests me...about your activities is that, except for fairly routine apprenticeship committees in other industries, I cannot think of a serious labor-management committee in our country that has been as concerned or as imaginative as you have in dealing with the problems of training. I've always thought training to be one of the untapped, unworked areas of labor-management relationships, and I am pleased that you are pioneering this joint committee in that particular way.[1]

This paper reviews emerging developments in collective bargaining in the area of employee development and training, with special emphasis on joint labor-management efforts. It does not deal with those aspects of collective bargaining that focus on traditional areas such as purely on-the-job training (OJT), apprentice training, or training related to internal promotions or to work replacement assignments. And it deals only in a cursory way with the fairly common application of job-specific retraining clauses related to changes in technology or in the organization and structure of work.

UNDERLYING FACTORS

Before starting our review, it may be helpful to mention briefly the key underlying factors promoting increased attention from employers and unions to this aspect of industrial relations. Most of these factors are well known and have been discussed in other contexts, but each one has contributed to a growing emphasis on training in the collective bargaining arena. They include intensified global and local competition; industrial restructuring and geographical shifts in the location of industry; the relative decline of the goods producing sector and the continuing growth of employment in services; widespread technological change, especially in information processing and control; deregulation in certain sectors; changes in the growth and composition of the workforce; a concern with the quality of education of new entrants; at the same time, a concern that a more educated, middle-aged group faces declining opportunities for upward mobility and for using the education they have attained; and the introduction of new managerial and industrial relations systems under the broad rubric of participation.

Each of these factors, singly and in combination, affects individual companies, unions, and workforces in different ways and in varying degrees. As a group, these causal factors suggest training and retraining will continue to be subjects of growing importance in collective bargaining as managements and unions strive to find common ground in maintaining a trained and productive workforce, while at the same time handling worker dislocation in responsible and humane ways.

Because of the underlying factors just reviewed, a number of the collective bargaining agreements negotiated in the first half of the 1980s addressed training and employee development concerns.[2] Joint activity, though not universal or of landslide proportions, has been marked. It is concentrated in autos and communications and to a lesser extent in steel and agricultural implements. The driving forces in autos and communications include the depression of 1980-1982, technological change, deregulation (in the case of communications), and a background of joint participatory workplace efforts. Auto and communications agreements provide programs for both active and displaced workers. In steel and agricultural implements, efforts are concentrated on the displaced

Relatively well-established programs for active workers, and increasingly for displaced workers, also exist with varying degrees of jointness in certain areas of the construction and the service sectors. These are related more, however, to on-the-job and career training, including certification and licensing, than to the broad education and personal development characteristic of autos and communications. Furthermore, they are apt to be administered more by the unions themselves than by jointly directed employer-union structures, and hence are more akin to negotiated union health and welfare funds that are supported by employer contributions. Under the Stabilization Agreement of the Sheet Metal Industry, for example, employers contribute three percent of gross payroll for various employment security purposes to a trust fund, including a National Training Fund. Arrangements of this type are not considered in this paper.

AUTOS

The UAW-Ford 1982 Agreement stands out as the frontrunner of a comprehensive approach. The UAW-Ford Employee Development and Training Program (EDTP) is described in two papers presented to this spring IRRA conference (Pasco and Collins 1985 and Goldberg 1985) and will be treated here only in a general way for its place and impact. GM and the UAW adopted a similar approach in 1982, and then both GM and Ford enlarged program funding and coverage in 1984. None of the other auto companies, suppliers, or agricultural implement companies have comprehensive plans, although specific features have been added to a few agreements.

In 1983, the Communications Workers of America (CWA), AT&T, and other communications companies adopted education and retraining provisions aimed at handling skills upgrading and dislocations resulting from deregulation and technological change. Although less comprehensive than autos, these joint arrangements represent a broad approach, and we will review them next.

COMMUNICATIONS

The CWA represents approximately 600,000 workers nationwide. Prior to the divestiture on January 1, 1984, 85% of CWA members worked for one employer, AT&T.

In 1983 bargaining, AT&T agreed to spend $36 million on jointly administered training and retraining programs. Since the contract was signed, AT&T has spun off its Bell Operating Companies under court-ordered divestiture. As a result, rather than a single program emanating from a national framework, there will be a series of training programs individually operated by the new AT&T and the new Operating Companies.

The 1983 contract called for creation of a joint company-union Training Advisory Board (TAB) in each company. Each TAB was to develop, advertise, evaluate, and modify, as necessary, two types of training for active workers. Career and personal development training was to help CWA members grow personally and professionally. Job displacement training was to help members whose jobs were changed or eliminated by new technology or market forces to prepare for other jobs within the company. There is an active TAB in each company, and both types of training are being offered. Courses are offered outside of working hours and time spent in training is voluntary and unpaid. The major emphasis thus far has been on personal and career development, but a few of the joint committees have set up retraining courses for workers whose jobs are to be eliminated.

[illegible]

Among the joint CWA-employer programs around the country, the amount of innovation has varied. In many cases, the committees have focused on increasing participation in previously existing training programs, such as home study and tuition assistance. In one case, however, a completely new program was developed. The TAB for CWA-Northwestern Bell contracted with Metropolitan Technical Community College (Metro Tech) in Omaha, Nebraska, to offer counseling and training through the existing network of community colleges in a five-state region. Any interested CWA member can receive free vocational testing and guidance at the nearest community college. Based on this counseling, workers can enroll free in a wide range of courses. Tuition is paid up-front for courses aimed at either career advancement within Northwestern Bell or a new career outside the company. Metro Tech also has arranged to provide intensive counseling and job search assistance to workers displaced due to office closings in rural areas. Workers who have received notice of termination are encouraged to enroll in classes before they leave the company.

As is true in other companies and industrial settings, some CWA members require remedial courses in basic skills before they can benefit from advanced technical training, and some of the new training programs provide such courses. For example, CWA members at Bell Laboratories (a part of AT&T) include many people whose native language is Italian or Spanish. The TAB contracted with Rutgers University to provide a four-month course in English as a second language for this group, and also set up an Individualized Learning Center for reading improvement. The CWA-Chesapeake and Potomac (C&P) Telephone TAB initiated a similar approach to training in basic skills. Called the ATLAS program, it allows CWA members at C&P to enroll in free, self-paced, after-hours courses at their worksite on topics ranging from vocabulary building and reading comprehension to basic math and test-taking skills.

The need to cope with problems caused by the divestiture has restrained the progress of many TABs. Also, there is no central TAB. As a result of these two factors, the program is uneven across the country. To help rectify this situation and provide a common base of information, CWA's Development and Research Department is in the process of putting together an overall model which could be used by any of the joint committees.

The CWA-type program has been negotiated also by other unions with contracts with AT&T and the independent companies (e.g., IBEW), and by other communications companies and unions (e.g., General Telephone Company of Wisconsin).

TRAINING RELATED TO PERMANENT DISLOCATION

The plight of dislocated mature workers is a major social issue, addressed in part by the Job Training Partnership Act of 1982 (JTPA). Unions and managements have generally addressed the issue of worker dislocation in two principal ways. The traditional approach has been to negotiate provisions to try to prevent closings outright or to discourage them through increased employer costs by restricting layoffs, increasing job transfer rights, seeking more paid non-work time, sustaining employee incomes for prolonged periods, or providing generous employee buyouts. Recently, given the realization that many of these displacements indeed will be permanent, there has been an emphasis on employee training, retraining, relocation, and related services, to be provided in some cases prior to layoff and in others after workers are laid off. Certainly, that was the case in autos and communications.

On a broader basis, the trend to including training in bargaining agreements is reflected in the AFL-CIO's periodic comparison of 100 major contracts. The most recent comparison showed that 75 of them included provisions on technological change, work transfer, or plant closing. Of these 75, 31 contracts (41%) provided for advance notice, 21 (28%) provided rights to training for a new job, and nine (12%) set up a special company/union committee. In the event of plant closing, 15 (20%) of the contracts provide for advance notice, six (8%) provide rights to training for a new job, and two (3%) set up a special company/union committee. (Industrial Union Department [IUD], AFL-CIO 1984)

In steel, 1983 collective bargaining agreements recognized permanent worker displacement and included a pledge to pursue jointly JTPA, Trade Readjustment Act (TRA), and related funds. Employer funding is not required under the language of the agreements, but a number of steel companies including U.S. Steel, Inland, and Great Lakes are voluntarily contributing out-of-pocket matching amounts in order to obtain grants under JTPA. Where grants are obtained, the employer and the United Steel Workers of America establish a joint advisory board and operate a joint center to assist laidoff workers. In one instance, a joint effort was specified in a collective bargaining agreement. Jones and Laughlin agreed, as part of its purchase of a competitor's small steel plant that had been closed, to fund and jointly operate the Midland Center for Career Development (Pennsylvania). The steelworkers report they are operating six major centers.

At International Harvester, in 1984 bargaining, the company and the UAW reaffirmed their 1982 commitment to joint retraining of dislocated workers, using funds to match JTPA amounts. In addition, the Company agreed to replenish the Training Fund to a total of $1 million in each of the first two years of the new agreement—twice as much as required under the 1982 Agreement. The parties also agreed to expand counseling and retraining efforts for workers affected by plant closings.

In 1982 negotiations with a coalition of 13 unions, General Electric agreed to establish an Employee Assistance Program to help employees terminated because of a plant closing to find new jobs and to learn new skills. The Program has two major elements—Job Placement Assistance, such as counseling in job search skills and interviewing techniques, skills assessment, and resume preparation, and Education and Retraining Assistance, which reimburses employees for up to $1,800 for approved courses completed within two years following termination. As in the steel industry, no funding is required, but GE has voluntarily provided money in order to obtain JTPA funds where it has closed or consolidated plants. Local union participation is encouraged in job placement assistance activities, but the Program is not formally administered jointly. Westinghouse and its unions have similar education and training assistance provisions.

In many cases, particularly in the event of plant closings, companies have undertaken outplacement efforts essentially managed by themselves (or by hired outside firms) with the wholehearted support of their union(s), sometimes in cooperation with private industry councils. (See, for example, the Goodyear/Rubber Workers and Bethlehem/Steelworkers cases in Kolberg 1983.) These ad hoc endeavors, while important and useful, are not the fully joint efforts we are focusing on and usually have been characterized by a limited range of services and by a fairly short timetable. We can expect to see this change, however, as experience is accumulated under JTPA and once the fully joint experiences become better known.

Individual unions and AFL-CIO national and state units have on their own obtained JTPA funds to run community and union assistance centers and related programs for dislocated workers, but these are independent efforts and not the negotiated joint endeavors that are the subject of this paper.

In many situations, the parties' negotiated agreements and letters of understanding may not reflect the extent of their joint efforts or the scope of their training programs, and it is difficult to generalize about them solely on the basis of contractual language or survey summaries. For example, the 1982 letter of understanding establishing the UAW-Ford Training Program included an objective of arranging training, retraining, and development assistance for dislocated workers. However, none of the eight major specific approaches or the comprehensive assistance centers that have been implemented are identified as such in the language. A similar situation is true, no doubt, of efforts by other companies and unions to meet their particular circumstances.

Although specific emphases vary, several developments are clearly emerging.

1. More comprehensive approaches are being taken. In recognition that each individual's situation is different, more companies and unions are providing assistance by offering multiple services and programs from which dislocated workers select those best suited for their circumstances. Increasingly, these comprehensive approaches are addressing the human element of dislocation (stress, financial counseling, personal needs) as well as the retraining and placement needs of the individual.

2. Private sector approaches are becoming more integrated with government and community educational and social services. JTPA generally has been a supportive influence. Although unavailable or delayed public funding may in some cases constrain the effectiveness of specific projects, on balance the Act has, in this area, resulted in a more cooperative and coordinated effort from employers, unions, government, communities, and educational institutions. Negotiated matching funds can bridge the gap and sustain programs while public requirements are being formulated. In addition, employers and unions are including professionals and community institutions in delivering services to dislocated workers.

3. Greater attention is being given to how and where services are delivered, and to the quality of services offered. Services, training, and education are being provided in a manner more targeted to adult workers and adult learners. There is more effective and concerned assessment of abilities and interests. Providers are being asked to deliver more individualized programs. Job development and placement are more sophisticated and effective. The concept of an "assistance center" is becoming recognized as an effective focal point for furnishing assistance.

4. Union-management cooperation is becoming more common in assisting dislocated workers. Cooperative efforts where workers sense a concern and commitment from their employer and/or union improve the effectiveness of all aspects of assistance—from outreach to placement. In part, the cooperative and matching fund approaches encouraged under JTPA and local community pressure also have contributed to increased union-management cooperation in this area.

Considerable reporting and research is being focused on the structure, operation, and success of these bargaining and social efforts to assist dislocated workers. But the story remains to be written. Critical factors in the story will be the levels of local, regional, and national unemployment; the likelihood of further dislocation; the composition, quality, location, and permanence of new jobs being created in the economy; the willingness and ability of organizations to allocate funds from other alternative uses and to supply leadership and continuing commitment; the ability of disparate groups and institutions to work together and to modify some of their own requirements; and the responsiveness of individuals and families to readjust and relocate, to learn, to surmount crises, and to fashion opportunities. Hopefully, those who write the story will not encase themselves in statistical parameters or in self-selected standards of perfection, but will write large the human accomplishments and the struggle for the better.

TUITION ASSISTANCE

Negotiated tuition assistance plans represent one of the more traditional approaches unions and managements have pursued in providing educational opportunities for active employees to upgrade their job skills. Typically, these plans provide reimbursement of certain tuition and fees to eligible employees upon successful completion of job- or career-related courses. Plan requirements vary but usually are specified in terms of employee eligibility, types of courses covered, types of expenses reimbursed, and amount of reimbursement. Tuition aid plans generally have been a "stand-alone" benefit and not part of an overall education, training, or development program.

After decades of relative stability, traditional tuition assistance plans are now receiving renewed attention

(Hewitt Associates 1984). Not only are these plans changing in shape and structure, they are becoming increasingly more popular with employees. And this is occurring even though the tax status of the plans remains confused.

Historically, Ford had administered a negotiated Tuition Refund Program representative of other traditional tuition aid plans. Basically, it provided active seniority employees reimbursement up to $1,000 per year for expenses incurred with approved courses successfully completed by the employee. During the term of the 1982 Collective Bargaining Agreement, however, the UAW and Ford, acting under the charter of the then new EDTP, made substantial changes in their approach to tuition assistance. A prepaid tuition assistance plan for laidoff workers, the first such plan in a major agreement, was established in August 1982. It was subsequently liberalized twice and now provides up to $5,000 in assistance. In addition, on January 1, 1984, the Tuition Refund Program for active employees was replaced by a new Education and Training Assistance Plan. The types of courses covered under the two new plans are broader and the amount of expense covered is higher ($1,500/year in 1984 negotiations, for active employees). A special feature for active employees pays for certain noncredit, nondegree courses. The plans are administered jointly and are part of a broader program that complements and is complemented by them.

The need for higher quality education is being felt in many parts of the economy. Although individuals are entering employment with higher education levels than ever before, there is increasing concern with the quality of the education of new entrants. Many high school graduates seem to lack the basic skills necessary to function as "literate" members of the workforce and of a technological society. Today and tomorrow's dynamic work environment makes it more essential than ever that employees possess the fundamental preparation to support the learning and relearning necessary in an adaptable, competitive workforce.

We can expect to see (1) more plans offering prepayment rather than after-the-fact reimbursement; (2) higher amounts of allowable expense; (3) broader coverage of subject matter; (4) expansion of the eligible population; and (5) in some cases, full, joint company-union administration.

TRAINING RELATED TO NEW PRODUCTS, PLANTS, TECHNOLOGY AND INDUSTRIAL RELATIONS SYSTEMS

This third category is substantially broader in scope and is not as clearly identifiable as are the retraining of dislocated workers and tuition assistance. It encompasses numerous efforts that have been developed in the late 70s and early 80s with the increased emphasis on effectively utilizing the workforce in a competitive international economy characterized by change, particularly technological change.

Contract provisions and related efforts to retrain workers otherwise displaced by new technology represent the type of training in this category most widely used by the parties. For example, the Graphic Communications International Union (GCIU) has operated an International Educational Training and Retraining Program for over twenty years. The

"Learning Centers" have been established at Ford locations for UAW-represented employee educational activities.

Program is funded by employers and is administered in regional training centers. Initially, the Program was designed primarily for apprenticeship training. With the rapid technological changes occurring in the printing industry, however, the emphasis has shifted to assist employees in keeping abreast of technological changes in their classification and cross-training in skills required for other classifications.

Since 1976, GM (and since 1979, Ford) have had new technology committees with the UAW that address, among other matters, the retraining of individuals assigned to new or changed work because of technology. Such arrangements, sometimes including retraining those displaced from their jobs but not reassigned to the new work, are prevalent in many major collective bargaining contracts. These are fairly "old" by now and need not be reviewed here. For the most part, job-specific training is involved rather than broad education. As we have seen in the CWA contracts, though, as well as in the electrical sector, the emphasis may be shifting to wider educational upgrading.

The current dramatic explosion of applications of technology—perhaps as great as any time since the beginning of the industrial age—is likely to spawn new committees and reshape the agendas of existing ones. There will be continued attention to training and retraining to ensure necessary skills for operating and repairing new equipment. But more subtle training implications will relate to managing human response to technological change. This will involve dealing with changes in work organization and in the workplace, handling employee stress, and increasing employee flexibility and receptiveness to change. Jointly supporting employees through these changes has and will continue to be an area of interest to both parties.

Another example of specific local projects in this broader category of employee development and training is the Service Employees International Union (SEIU) program, Lifelong Education and Development (LEAD). This Program is designed primarily for healthcare and clerical workers, mechanics, and building and maintenance operators (Stackel 1985). The Lifelong Education and Development Program started in 1979 with a grant from the Department of Labor (DOL) to train and upgrade employees in low-paying, low-skill jobs to fill nursing vacancies. When DOL funding expired in 1981, the SEIU broadened its programs to include basic skills and computer training as well as more extensive training for LPN or RN licenses. The SEIU works with employers (usually hospitals and medical providers) to tailor programs to meet a company's needs and work around the schedules of employees. Management is encouraged to commit to more promotion from within. There is a strong job-related flavor, aimed in part at meeting professional and state certification licensing requirements.

In addition to training related to technology and work upgrading, other developments which can be included in this category are a host of joint training efforts to improve the way businesses are managed and the way employers, employees, and unions interact. Employers are recognizing that "old" management practices must give way to new approaches which include forms of joint problem solving and decision making. Companies and unions are proceeding carefully in this area but, under various names, employee participation in the workplace is increasing. Collective bargaining agreements in autos, steel, and communications provide frameworks for such approaches. In many cases, the agreements specify that training will be provided in the new decision making and problem solving processes. This development presents training implications in at least two respects. First, there is a need to train individuals in all the subprocesses of effective participation such as interpersonal communication, listening, meeting skills, time management, some statistical processes, problem solving, decision making, and conflict resolution. These relate to organizational and social skills, including a sense of membership in the organization, rather than purely technical learning. Second, a climate evolves from successful involvement processes which invites participation and joint efforts in other areas.

Other recent joint training efforts are targeted directly at obtaining productivity improvements and better product quality by installing "new industrial relations" systems, including more teamwork, a slimmer classification structure, and pay based on the ability to perform a number of jobs. This is likely to take place when new plants are constructed, or when entirely new products or processes are launched. Recently publicized examples of this in autos include GM's Saturn project, Ford's Alpha, the GM-Toyota venture in California, and the Mazda Project in Flat Rock, Michigan.

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UAW-FORD 1984 PROGRAM AND FUNDING CHANGES

The prefunded comprehensive education and training program that Ford and the UAW started in 1982 and that has been described in other papers at this spring IRRA conference was reaffirmed and expanded in 1984.[3] It is worth looking at these 1984 changes in a general way, for they may be precursors of adjustments that others may be interested in.

First, there is an expansion of funding to support other joint efforts. The 1982 Agreement included funding to support elements of the joint employee involvement process and the mutual growth forum process (a form of labor-management consultation and information sharing). This was continued, and a special pledge was made in 1984 to strengthen joint training for the mutual growth forums. Funding support was extended to training to be provided under a new job security plan (Protected Employee Program, or PEP) for employees displaced by technology, productivity, or outsourcing, and for the activities and personnel expenses of the National PEP Committee. Support also was given for personnel and operating expenses of a joint New Business Development Group which will seek to bring new business into the company to enhance the job security of UAW members.

Second, entirely new programs and pilot projects were added to the central core of the EDTP. These are an Employee Assistance Plan (EAP), a joint labor studies training program, and child care projects.

The EAP will have an identity of its own, including a separate national committee, but will receive funding and professional assistance for development and certain administration from the EDTP, and it will be under the aegis of the EDTP's Joint Governing Body. The EAP will have two components: one aimed at problem resolution for conditions relating to alcohol, drug dependency, and serious mental, personal, and financial problems, and one relating to problem avoidance through promoting more healthful lifestyles in such areas as hypertension screening, smoking cessation, and education relating to exercise, diet, and personal skills for coping with stress.

The joint labor studies program will be developed during the contract. The child care projects will be pilots and will result in exploratory demonstration efforts at two facilities.

Third, a new, special 2¢ allocation was provided for health and safety training and research, and joint Local Training Funds of 5¢ per hour were established. These are not part of the basic EDTP, but there are some interrelationships. The Local Funds will support local job skills training, interpersonal skills, and employee involvement training as well as certain local expenses related to the Protected Employee Program. Unlike the core EDTP, the Local Training Funds introduce clear elements of job-related training.[4]

To the outsider, the UAW-Ford funding structure can be confusing. The 1984 funding system is as follows:

☐ The basic EDTP Company contribution of 5¢ per hour negotiated in 1982 was increased to 10¢.

☐ This is supplemented by a 50¢ per hour accrual for overtime hours worked in excess of 5% of straight time.

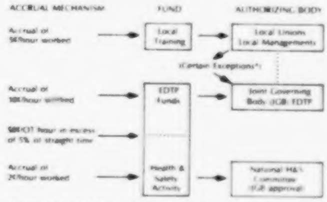
☐ Together, the 10¢ and the overtime 50¢ constitute the "national" funds.

☐ An additional 2¢ per hour worked is accrued for health and safety training, but expenditures must be approved by the Joint Governing Body of the EDTP.

☐ The Local Training Funds (5¢ per hour worked) are separate and are accrued locally with expenditures approved locally, within certain limits. The Joint Governing Body issues guidelines and oversees expenditures.

These funding/program relationships are shown in Figure 1 for the brave of heart. All funds are maintained as book accounts. They are clearly considered incurred "package" costs. Should the EDTP be discontinued, the accrued funds, including those to be accrued during the contract term, would be subject to negotiation or to allocation in cash to employees. Unspent and unaccrued Local Training Funds would not be subject to negotiations or disbursement. It is estimated that the 1984 Agreement will generate three to four times the amount generated in the 1982 Agreement, or approximately $120 million over the next three years versus the former $28 million (30 months).

Figure 1 Accruals to the UAW-Ford Employee Development and Training Program (EDTP) Negotiated in 1984


ACCRUAL MECHANISM
FUND
AUTHORIZING BODY
Accrual of 5¢/hour worked
Local Training
Local Unions Local Managements
(Certain Exceptions*)
Accrual of 10¢/hour worked
EDTP Funds
Joint Governing Body (JGB) EDTP
50¢/OT hour in excess of 5% of straight time
Accrual of 2¢/hour worked
Health & Safety Activity
National H&S Committee (JGB approval)

* Includes all requests to lease or purchase real property, any purchase of capital items in excess of $10,000 per item, and any situation where agreement cannot be reached locally and either party appeals. Expenditures reviewed by the Joint Governing Body.

Obviously, this is a complicated picture, but one need not know all the details to understand its general thrust. With the 1984 changes, the UAW-Ford initiative has become more than even its former very comprehensive and flexible employee development and training program. It has grown into a system supporting a broad range of human resource development needs. The joint operation and control of funds gives it a very special power for launching and carrying out innovative efforts.

This is not the place to describe this broader, multifaceted approach, nor to speculate on its accomplishments or prospects. Despite the many demonstrated successes of the core EDTP and of other joint processes, some are concerned that internally Ford and the UAW may be moving too fast, in perhaps too many directions. And there is some concern that they may face problems in blending some potentially destabilizing forces. But that is for the Company and the Union to manage jointly.

For the moment, at least, it appears that the broad funded approach to a wide range of human resource efforts is unique to the top auto companies. In the case of Ford and the UAW, it embodies the success of our joint activities to date and represents a new direction and scope of joint efforts of the future—a system of human resources support.

OBSERVATIONS

The preceding categories that have been used to group new employee development and training directions are arbitrary classifications, to be sure. The discrete groupings do not exist as such, and reality overlaps. Still, the categories are serviceable enough, if not taken too literally, in helping us understand what is going on.

There are some major industry areas where very little has happened and it is worthwhile to reflect on why this is so. Steel and certain related primary industries have been devastated by shutdowns and restructuring, yet we have noted only modest movement toward joint training. Two explanations are given: in view of the sea of red ink, there is no money for these added initiatives, and for active employees there is little prospect for career advancement since even further rationalization (fewer jobs) lies ahead. Airlines have been convulsed by competitive shakeouts, price wars, and technology, yet little has occurred in the arena of joint training. In many situations, actual pay reductions are being negotiated, and this is hardly an atmosphere for adding entirely new cost programs. Also, the structure of bargaining militates against it. Companies deal with several unions, each representing different skill levels (e.g., pilots, attendants, mechanics), with varying prospects for outside placement or for internal advancement. Then too, operations are widespread geographically, with pockets of small employment, making it difficult to organize service delivery of intensive training programs. Trucking faces the same situation of disruption, diversity of units, and geographic spread. In addition, an association bargaining structure and a health and welfare funding system may make it difficult for individual employers to see the value of moving in joint training directions.

All of these are no doubt valid explanations of why, in many situations, similar environments do not generate similar responses. It must be noted, however, that the auto companies and the communications industry were facing many of these problems when they undertook their training and retraining commitments. In the final analysis, equally critical factors may be the ideologies and relationships of the parties.

Negotiating arrangements in joint employee development and training requires different outlooks and expertise from those that characteristically are used in bargaining wages and traditional benefit plans. In the latter case commitments can be explicit, measured, and imitated, and similar provisions can be applied to large numbers of constituents with the expectation of fairly similar delivery and results. Also, training and employee development can affect the very heart of a firm, and those that have not been able to develop trust relationships with their unions may feel joint efforts for them are not possible. Similarly, many unions may not be ready for such efforts because they have no background in working in this manner or because their internal pressures do not permit them to do so.

More than 80% of U.S. employment is in small or medium sized companies. Here, technical, structural, and organizational constraints are real. But so is a tendency to underestimate the organizational value of training and education in fostering a cohesive, productive, creative, and adaptable workforce. Once this is realized, there will be increasing attempts on the part of managements and unions to add this new dimension to their labor relations.

There are always multiple interests competing for scarce resources, including time. Some conflicts and interests are deeper and more enduring than others. All adaptation is from within. Leadership shapes responses.

WHAT LIES AHEAD

In the second half of the 1980s, we can expect to see a continuation and intensification of collective bargaining efforts in employee development and training. The underlying factors that promoted this in the first half of the decade will provide the broad stimulus. So too will the experience being accumulated in those sectors that have negotiated training and education approaches. Others will look and learn, and collective bargaining mechanisms will see to the spread.

There will be great variety, however, reflecting the vast diversity of firms, unions, skills, experience, needs, and potential for success. Developments will not be easy to follow, summarize, or evaluate. Comprehensive, fully joint efforts will remain the exception, not the rule. It will be easier and faster for collective bargaining to pick up individual pieces (e.g., tuition assistance, preretirement planning, assistance centers) and to negotiate them in more traditional manners by specifying amounts, duration, eligibility, and costs. Funding arrangements are likely, however, to become more popular as the parties become aware of their value.

If there is continued improvement in the economy, including lower levels of structural unemployment and displacement, there will be a diminution of training activity with respect to laidoff employees. New mechanisms and arrangements will be developed to handle smaller populations, spread over wider areas.

As firms and unions appreciate the power of training and education to upgrade skills, and to improve the performance and the operation of both organizations, there will be an increase in activity with respect to active employees. The parties will find the issues are too central and too important to be left entirely to the other, or to language alone. Consequently, a good deal of activity will be joint, though not necessarily of the prefunded, fully comprehensive type.

In those places that have, or that initiate, comprehensive joint approaches, there will be an extension of subject matter and an improvement of delivery mechanisms. More attention will be concentrated on the quality of services and results. There will be a gradual blending of general education and training and job-specific and career training. Depending on the degree of the parties' successful experience in joint efforts, joint training of varying degrees and types will expand to provide general support for additional aspects of human resource development.

Parties will become more proficient and discerning in assessing employee abilities and aptitudes. This will be necessary as the parties offer more options in education and training to broader segments of the workforce. This will reinforce the value of certain joint decision making, and approaches to training will be more flexible than in the past. Parties will develop methods for experimenting with new techniques through pilot projects, evaluating the effectiveness of pilot projects and ongoing programs, and changing or discontinuing approaches that fail to meet the needs of employees or the parties.

Parties will work more closely with government and educational institutions. Experience accumulated under JTPA will be helpful in this regard. Both displaced and active employees will see unions, managements, communities, and government improve the effectiveness of their interactions in delivering necessary services. Educational institutions are responding to meet the needs of adult learners, and they will become even more responsive as companies and unions seek to use parts of the established educational process to obtain a wide range of education, training, and development services. Private training providers and training associations and consultants will be asked to fashion and deliver services and to work under new arrangements.

Predictions in a field as dynamic and as varied as industrial relations are foolhardy. But here the die is cast. Unions have always supported education. There is a broad realization of the common need to promote industry and company competitiveness. The forces for change are here and are known. Breakthroughs have been made and experience is accumulating.

While it may be unwise to paint too firm a future, it would be irresponsible to entertain too dim a one. By 1990, John Dunlop will no longer have to characterize training as "one of the untapped, unworked areas of labor-management relationships."

The UAW-Ford National Development and Training Center is staffed by professionals drawn from the Union, the Company, and outside organizations.

Footnotes

[1] Excerpt from remarks by John T. Dunlop (September 27, 1982) to the National UAW-Ford Meeting on Employee Involvement and the Dedication of the UAW-Ford Employee Development and Training Program, September 27 and 28, 1982.

[2] Information on emerging developments in the training and retraining of workers was obtained from a review of the literature, a special search of collective bargaining agreements by the Bureau of National Affairs (BNA) and the U.S. Bureau of Labor Statistics (BLS), and personal contacts with individuals in various companies, unions, and academic institutions. (Public sector activity was not reviewed as part of the research for this paper.)

[3] GM and the UAW settled first in 1984. The Ford-UAW Agreement on the instant matters differs somewhat from the GM-UAW Agreement, principally: a GM allocation of 4¢ to health and safety training versus Ford's 2¢, a UAW-Ford employee assistance plan, which includes a "wellness" health promotion component, a UAW-Ford joint labor studies training component, and the configuration and interrelationships of various joint committees.

[4] Local Training Funds were introduced in the GM-UAW 1982 Agreement, and were additional to basic EDTP. GM provided 10¢ for this. In 1984, this was changed to a 5¢ nationally administered "reservoir" and 5¢ pure local training funds.

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III A Program in Action

UAW-Ford Employee Development and Training Program: Overview of Operations and Structure

By Thomas J. Pasco, Executive Director, and Richard J. Collins, Associate Director
UAW-Ford National Development and Training Center

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This paper provides an overview of the UAW-Ford Employee Development and Training Program. This joint Program, or model if one wishes to call it that, presents opportunities for both active and laid-off UAW-represented Ford hourly employees. But before reviewing its structure, we want to underscore the concept of "jointness" which gives the Program its most important strength.

The Employee Development and Training Program (EDTP for short) is one of the more extensive joint efforts underway between the UAW and Ford. Because of these joint efforts, which began in earnest with the 1979 Collective Bargaining Agreement, UAW-represented Ford hourly workers have more opportunities than ever before to become involved in decisions affecting their work; their job satisfaction has grown; they are upgrading their skills; and they have the chance to undertake a wide variety of projects of their own choosing. In addition, because of the joint actions of Ford and the UAW, Ford product quality has improved, operating styles are changing, information is widely shared, and the working environments in Ford plants have been generally improved.

The EDTP, which was established in the 1982 Agreement, is built on participative principles and has many of the same ingredients basic to other UAW-Ford joint efforts: local committees, voluntary participation by employees, local program flexibility, a national umbrella, and national encouragement and support. The Program is funded under the Collective Bargaining Agreement by Company contributions based on hours worked by UAW-represented hourly employees."[1] It is estimated that under the 1984 Agreement, approximately $35-40 million per year will be generated under various negotiated arrangements for employee development and training purposes.

The policy-making unit of the EDTP is a Joint Governing Body comprised of equal numbers of Company and UAW representatives. The Co-chairmen of the Joint Governing Body are Peter J. Pestillo, Ford's Vice President of Employee Relations, and Stephen P. Yokich, UAW Vice President and Director of its National Ford Department. The Joint Governing Body establishes Program policy, provides overall guidance, authorizes expenditures of funds, and directs Program administration through the UAW-Ford National Development and Training Center.

The National Center, a non-profit legal entity, is located on the Henry Ford Community College campus in Dearborn, Michigan. The Center staff includes both Company and Union representatives and professionals with backgrounds in education, counseling, training, placement, and information processing. It has grown from eight persons to twenty-two. The Center concentrates on planning, design, and coordinative functions and provides on-site assistance to local committees to help them design and implement local program applications. It functions principally as a broker of services and limits its own training to joint local committee members and certain program coordinators. The Center assists also in identifying appropriate outside funding sources and integrating these with those available through the negotiated joint fund. The Center is action oriented. Its main function is to make things happen and evaluate their effectiveness.

The Program extends through joint local EDTP committees to eighty-five Ford U.S. facilities throughout the country, including their surrounding communities. The Program works closely with local governmental, social, and educational resources. This is a matter of conscious choice—philosophical as well as practical. The local committees and the National Center, for the most part, do not directly provide educational or training services, but arrange to have such services provided by existing institutions and organizations. In this way, the Program benefits by accessing a broad delivery network whose components can be assembled and reassembled to match specific needs.

The UAW-Ford Collective Bargaining Agreement charters the Program, and through it the National Center, to "promote training, retraining and development activities and efforts, and, in the process…contribute to the competitiveness and well-being of the Company—aspects which are essential to the job security, personal growth, and development of Ford employees." The Program's principal objectives are to:

☐ provide training, retraining, and developmental opportunities for both active and displaced employees;

☐ support other local and national UAW-Ford joint activities; and

☐ provide opportunities for the exchange of ideas and innovations with respect to employee development and training needs.

When the Program was established, no attempt was made to set out all the details of what was to be done or how to do it. The parties were confident they could do this later using their prior experience in mutual trust and problem solving. They were content with a general charter and broad guidelines, knowing they could work together to fashion specific programs and allocate funds and staff intelligently for these purposes. They also knew that some professional help and a dedicated planning group were needed; and they did not want to duplicate existing services. This is one of the reasons why they established a National Center to administer the Program. The parties also wanted to encourage local union and plant management autonomy and local ownership of Program applications so that those closest to the situation would be intimately involved. Finally, they wanted to identify and serve the real needs and desires of individual employees and not impose preconceived notions.

With that background in mind, we will now consider the major components of the Program and some of its results.

ASSISTANCE FOR DISLOCATED WORKERS

The Program began by providing services to dislocated employees because of the critical nature of this problem at Ford as well as the rest of the auto industry. Ford-U.S. hourly employment had peaked in 1978 at just over 200,000. The industry-wide depression subsequently reduced that hourly workforce by one-half to around 100,000. Today, Ford has about 110,000 active hourly employees on roll and still approximately 19,000 on layoff who have seniority recall rights. These individuals reside in 22 states.

With respect to the dislocated worker assistance, the outcome since 1982 has been eight distinct, yet mutually reinforcing approaches. About 11,000 laidoff employees have taken advantage of one or more Program features. These features include career day conferences, vocational interest surveys, professional career counseling and assessment, job search skills training, prepaid tuition assistance for self-selected education or retraining, accelerated full-time group vocational retraining relative to areas of forecasted job growth, and special assistance for plants that unfortunately had to be closed because of depressed market and economic conditions. In addition, relocation assistance in the form of Relocation Loans has been provided beginning in 1984 to more than 1,600 employees; recently, a complementary relocation counseling program has been implemented.

These programs for laidoff employees are packaged to create a variety of paths to best accommodate individual interests and needs. Laid-off workers may select the path they feel best suited to their interests, abilities, and goals. Program components were built up piece by piece, on the basis of perceived local need, availability of provider services, and review of the experience of others.

Below: Under the Education and Training Assistance Program, UAW-represented employees can resume their formal education.

Left: Laid-off UAW-represented Ford employees learn machining skills in a Targeted Vocational Retraining (TVR) session offered under the UAW-Ford Employee Development and Training Program.

Right: Ford employees attend a computer literacy course in a UAW local union hall.

Comprehensive and intensive full-service delivery of these and of additional components was applied in the case of two plant closings—one at San Jose, California, and the other at Sheffield, Alabama. Subsequently, six Regional Career Services and Reemployment Assistance Centers were established. Our experience with these assistance centers for dislocated workers will be covered by Marshall Goldberg in the paper he is presenting to this 1985 spring session of the IRRA (Goldberg 1985).

In addition to directly funding particular assistance programs, the EDTP joins forces with external resources to deliver component services to dislocated workers. The Program and the National Center have helped local unions and managements obtain assistance under the Job Training Partnership Act (JTPA) and other federal and state assistance provisions. Since 1982, external commitments for monetary and in-kind services worth more than $11 million have been obtained.

With respect to future assistance for our dislocated workers, we plan to continue to expand and assure availability of our Program to all the communities in which UAW-represented Ford U.S. hourly employees remain on layoff. We also will be striving to improve the quality of the various approaches, develop new ones where needed, and enlarge the network of community and educational interactions.

The results of the EDTP with respect to dislocated workers can be evaluated by a number of indicators: ultimate jobs secured, the quality of jobs, duration in new employment, speed of re-entry, training entered and completed, participant testimony, and independent evaluation. We use all of these and obviously are interested in what the numbers say. But we also believe that success should be viewed less in statistical terms and more in the impact on individual human beings—the sense of accomplishment that people have expressed about attaining new skills and gaining reemployment and the thanks and hope of individuals and families rekindled in themselves, in their society, and in their institutions. That, more than anything else, is what our programs to help dislocated employees are all about.

Ford believes it has a responsibility to its laidoff employees. The UAW believes it has a responsibility to its laidoff members. Jointly, we are meeting our responsibilities.

PROGRAMS FOR ACTIVE WORKERS

The key EDTP applications for 110,000 Ford U.S. active employees represented by the UAW are summarized under a general heading titled "Avenues for Employee Growth." In this regard, the Program's objective is to improve and build on existing employee education and training approaches and transcend some of our more traditional job-related training efforts by emphasizing broader personal development and growth objectives.

These objectives, first conceived in 1982 and reinforced in 1984, reflect the following underlying conditions and joint commitments: a firm desire to contribute to improving the quality of individual life; a desire to upgrade the skills of the workforce to enter the new technological world, both socially and at work, including addressing issues raised in **A Nation At Risk**; a perceived opportunity to enhance organizational growth by offering programs and avenues for personal and career growth that demonstrate organizational caring to employees; and a continuation of joint efforts in areas of common interest, thus further promoting effective and successful labor-management relations.

The EDTP is much more than an education and training effort. It is designed for broader purposes and can be fully understood only in that larger context.

Active work force education, training and development applications will follow six basic approaches which generally were launched in 1984, after the programs for dislocated workers were put in place. Within this framework, UAW-represented Ford employees can select programs suited to their background, interests and goals. The six general components are:

☐ life/education planning,
☐ pre-paid tuition assistance for formal education and training,
☐ basic skills enhancement,
☐ college/university options,
☐ targeted education, training or counseling projects, and
☐ successful retirement planning.

These six individual programs are available to active employees on a voluntary basis. Some activities can be initiated directly by employees by participating in nationwide programs administered by the National Development and Training Center; others will depend on actions and programs shaped by joint local development and training committees, assisted by the National Center. In developing these broad components, one goal was to assure that virtually every employee, regardless of age or prior education, could get something out of the EDTP.

Life/Education Planning

Life/Education Planning workshops and activities help employees decide on which educational and personal development opportunities are most appropriate for them. Employees can become aware of their personal strengths and interests, learn about occupational and educational opportunities, determine ways to enhance personal potential, and form and implement educational and career plans. Entirely new workshops are being developed with a special focus on blue collar employees in a rapidly changing world. Thus through either group or individual guidance, employees can explore and plan a life-long education and development process.

Education and Training Assistance Plan

This Plan is designed to give employees a chance to pursue a broad range of self-selected formal education training and developmental opportunities.

The basic part of the Plan, Education and Training Assistance, replaced a former tuition refund program. The main changes and improvements were provisions for prepaid tuition and a broadened range of courses which now go beyond those immediately related to an employee's current job.

Under the basic provisions, tuition and compulsory fees for approved education or training courses leading to credits or degrees are prepaid directly to the educational institutions up to an annual maximum of $1,500 per calendar year per participant. Such assistance covers most formal education courses that employees may wish to pursue, related to their jobs or other jobs or careers in which they are interested. Enrollment under this new plan increased by 80% in one year versus the more limited refund program. Some 5,800 applications were processed in 1984 and participation will likely continue to grow in 1985.

An entirely new Personal Development Assistance (PDA) feature of the Plan pays tuition and compulsory fees up to a maximum of $1,000 per calendar year (part of the $1,500 above) for a special range of approved education and training, including noncredit or nondegree courses or activities, that can directly enhance personal development and potential. Such courses or activities include those relating to communication skills, success/motivation training, time management, or computer literacy courses, among other occupation-related programs approved by the National Center. We expect usage under this part of the Plan to grow dramatically in the next few years. Interestingly, it is drawing in participants who have not otherwise used the formal degree tuition programs. Early findings show that 75% of PDA participants have not been involved in other forms of tuition assistance.

Basic Skills Enhancement

This approach allows employees to continue their basic education, brush up on certain skills (such as math, language, and communication) and master new skills. Educational counseling and learning opportunities are offered, depending upon local interests and circumstances, in four main areas: adult basic education, General Education Development, high school completion, and English as a Second Language.

Class instruction may be provided in the plant, local union hall, or elsewhere at times convenient for most participants. Instructors generally are from local public schools and specialize in adult education and counseling. Special features include open entry-open exit and competency based learning.

Computer-assisted programs are used at a number of locations to determine the grade or school level at which participants are functioning with printouts indicating (1) whether or not specific math and language skills have been mastered, and (2) recommended math, reading and writing courses to remedy identified knowledge and skill deficiencies. Employees are finding such systems both fascinating and exciting—particularly where their assignments have been scored or other feedback has been provided confidentially and immediately by computer.

The Basic Skills Enhancement Program initially was launched on a pilot basis at one plant in August 1983 with over 250 participants. Since then, it has been extended to ten other locations and an additional 600 employees.

A UAW-represented Ford employee gets one-on-one instruction in a Basic Skills Enhancement session at a Ford plant.

College/University Options Program

This Program, which is being launched this year on a pilot basis covering locations in five states, is designed to make higher education and college or university degree programs more accessible to active employees. Key elements of the program include:

☐ opportunities to gain college credits for work-related education and training and certain work and life experiences;

☐ agreements by participating colleges and universities to accept transfers of credits toward their individual requirements for formal degrees;

☐ the offering of college curricula that incorporate plant technologies and business practices with increased relevance to the career needs and interests of our employees;

☐ classes offered at the worksite, where practical, and scheduled at times convenient to working adults.

The U.S. Department of Education recently awarded a major grant to the UAW-Ford Center to promote the establishment of regional faculty teams to assess students' prior learning experiences in the five states where the pilot facilities are located. In addition, these funds will be used to develop and promote common guidelines for accepting and transferring college credits among colleges and universities participating in the UAW-Ford College and University Options Program. The program also will feature college counseling workshops and course instruction at the plant site or union hall. One goal of the grant is to obtain information to assess model applicability and replicability on a broader scale.

Targeted Education, Training, or Counseling Projects

To supplement broader national program applications, the National Development and Training Center works with joint local Employee Development and Training Program committees on an individual basis to develop projects covering specific education, training, or counseling needs of a particular location or segment of the workforce. Frequently, these concentrate on vocational and technical training, such as computer programming, word processing, or communication skills. They can also include on-site group delivery of courses available under the tuition assistance and individual personal development plans. Local committees identify needs, assess potential response, locate providers, develop proposals for Joint Governing Body review and possible funding, and when approved, carry out projects and evaluate their effectiveness. Targeted projects will be a growing area of Program utilization.

Successful Retirement Planning Program

This pre-retirement counseling program can help senior employees make the transition to retirement. It consists of eight sessions for employees and their spouses.

The sessions (each of which is two to three hours long), include presentations on insurance and pension benefits, legal and financial planning matters, leisure activities, and health awareness. Estate planners, lawyers, nurses, public health professionals, bankers, and other local resource personnel may assist in presenting the topics and leading discussions.

Last September and October, pilot projects were launched at the Rawsonville, Sheffield, and Sterling Heights plants for over 300 employees and their spouses. Since then, 163 Company and Union representatives from 58 facilities have been trained as coordinators to implement the program at their locations. Early response is enthusiastic. Approximately 15-20% of the Ford hourly population is eligible for retirement and in some plants it is more than 50%.

CONCLUDING REMARKS

Worker dislocation obviously hurts the United States competitive position. Unemployment diminishes the domestic market's buying power; increases the costs of social service programs at the same time that it decreases the supporting tax base; extracts high psychological costs from its victims; and diverts attention, energy, and resources from the search for technological innovation. The negotiated EDTP brings new forms of assistance to dislocated workers over and above the traditional income safety nets built up over the years by collective bargaining.

Underutilization of the active workforce also represents a serious drag on the country's industrial competitiveness. Additionally, as individuals, Americans have always had high aspirations for personal growth and education. By encouraging in-

UAW-represented Ford employees and their spouses attend a Retirement Planning session in a local union hall dividual workers to develop their capabilities, initiative, motivation, and innovation, there is a clear though not always measurable impact on performance, satisfaction, and the quality of individual and organizational life.

While these voluntary programs are readily available to employees, they are not without cost in terms of employee time and effort. Their high rate of acceptance by employees is all the more remarkable given the average age (43) and average years of service (17) of the Ford active hourly workforce, the physical and mental demands of their jobs, and the overtime frequently required to meet market conditions. The EDTP appears to be something employees were ready for.

We have concentrated on describing the UAW-Ford approach to assisting the dislocated worker with respect to retraining and reemployment services, and our programs for the active workforce. Many people are also interested in learning more about the internal mechanisms that make the Program work. Space does not permit us to get into these matters, which would include items such as internal staffing, organization structures and relationships, funding and proposal mechanisms. We would also have to address program development, advisory task forces, creating consortia, using experts and consultants, and obtaining national and local consensus; even such details as process evaluation, program quality control, program extension, and information processing. All of these have an interest and importance of their own, particularly in an arrangement as novel as the joint national and local entities represented in this Program. But these are matters for another time.

Many of our program components are not unique or unusual, of course; but we believe that the spirit, care, and cooperation with which UAW and Ford have packaged and delivered them represents a fresh and dynamic approach toward addressing, if not fully resolving, a number of important and complex employee development and training questions. We have a heady task to grow into the program components we have launched, to make them widely known and available to employees, to evaluate quality and results, to constantly update and reshape program features, to keep the Program young and zestful, and to respond to emerging needs and opportunities with new programs and approaches.

Footnotes

1 Under the 1982 Agreement, funding was 5¢ per hour worked. The 1984 Agreement increased this to 10¢ per hour worked, plus 50¢ per overtime hour worked in excess of 5% of average straight-time hours for the previous twelve-month period. (Separate provisions also were made in 1984 for funding health and safety training and local training, which are not part of the basic Employee Development and Training Program described here.)

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IV New Hope for the Dislocated

The UAW-Ford Career Services and Reemployment Assistance Centers—"New Ventures in Service Delivery to Unionized Workers"

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Under its joint Employee Development and Training Program, Ford and the UAW have implemented a number of approaches to assist active and laidoff UAW-represented Ford U.S. hourly workers. (1) The focus of this paper is to describe one of the approaches for laidoff workers—Career Services and Reemployment Assistance Centers.

There are eight such Centers: one in San Jose, California (now phased out); one in Sheffield, Alabama; three in southeastern Michigan; one in Indianapolis, Indiana; and one in Lima, Ohio. Another Ohio center is in the planning stages. These "one-stop" centers offer a full range of counseling, educational, and placement assistance services. Prior to their establishment, services generally had been made available as discrete or specially combined programs.

The development of the Midwest regional centers draws heavily from the parties' experience in assisting workers displaced by the closing of the San Jose Assembly plant (May 1983) and the Sheffield, Alabama, Casting Plant (July 1983), and we will start by briefly reviewing these.

THE SAN JOSE AND SHEFFIELD CENTERS

With the announcement in November 1982 of the planned closing of San Jose Assembly Plant (May 1983), a local joint UAW-Ford development and training committee was formed. It acted immediately to establish an in-house Employment and Retraining Center jointly staffed by four full-time personnel—two from plant management and two from the local union.

The local co-chairmen of the San Jose joint development and training committee, together with the staff of the Employment and Retraining Center, contacted community resource people and funding agencies to develop a network of professionals, community leaders, and educational and placement sources for delivery of needed services.

It was determined at the very outset that a comprehensive and coherent program was required, with a menu of services tailored to varying needs of individuals and groups, to be offered on a timely basis, and coordinated from a single, accessible, and familiar setting. Fortunately, the state of California was ready to assist with competent staff, proven programs, and timely funding. Local funding and services were furnished by the plant and the division and by the national UAW-Ford Program. Technical assistance was supplied, as needed, by the UAW-Ford National Development and Training Center. A working consortium was formed, but with the local committee clearly running the operation.

The Employment and Retraining Center was the focus for program coordination, personal counseling, brokering of services, follow-up, and monitoring. In-house activities started many months prior to the actual closing. In addition, the local development and training committee, with assistance from the UAW-Ford National Center, acted as a broker for vocational retraining, solicited and evaluated proposals from providers, and contracted for services. Vocational retraining classes were held at numerous Vocation Education Agencies throughout the area. The Center was kept open for more than a year after the plant had closed.

The successful San Jose experience has been described more fully elsewhere, and has been cited as an example of best practice in plant closings (Hansen 1984). Among other items, Hansen listed the following as having been particularly useful:

> the value of early advance notice; the importance of an external catalyst and source of technical assistance in getting the program under way and moving in the right direction; the necessity of good union and management leadership; the importance of on-site delivery of services to the displaced workers; the importance of frequent communication with the workers; the value of having a flexible, readily available resource base to underpin the readjustment program; and the employer's sense of responsibility in discharging obligations to the dislocated workforce. (2)

Some of the major San Jose outcomes include:

☐ Orientations to available training programs, services and skills assessment programs were made available to all employees.

☐ There were over 2,800 enrollments for in-plant vocational training orientation sessions conducted by plant personnel.

☐ Nearly 800 employees enrolled in adult education courses to improve basic skills in subjects such as math and English as a second language. A significant number (183) have earned their high school diplomas or passed the GED.

☐ Over 750 employees enrolled in intensive full-time vocational retraining programs, of which 500 involved technical training.

☐ 438 employees went through a Job Search Skills Workshop.

☐ 21% are retired or expected to retire. 80% of employees who took training courses are now employed.

☐ To date, over 83% of those who reentered the labor market have secured employment. Based on experience to date, we anticipate that those currently pursuing full-time vocational training will have a high job placement rate. (3)

The San Jose "system" was replicated, within much the same time period, and with appropriate local variation, in Sheffield, Alabama. There, too, a joint labor-management committee, working with the state and community agencies and the UAW-Ford National Center, created a comprehensive, on-site menu of services. The local service center, in this case, was established at the local union (UAW) hall directly across from the plant.

The National Center was more involved at Sheffield than it was at San Jose, where California state agencies already had experienced staff and proven programs. The National Center provided early funding, obtained interim funding from the Alabama Office of Employment and Training, and subsequently secured a matching grant under the Job Training Partnership Act (JTPA). Without Center funding, there would have been delays and gaps in launching and continuing services. As at San Jose, the local committee and the National Center provided technical assistance, maintained effective control over the delivery of services, and ensured that programs were properly conducted.

The basic goal of the dislocated worker is reemployment—but, not just any employment. Dislocated workers, especially, may feel the system has let them down. They want a quality job—one with dignity—one that will last. Retraining and related activities must consider and take into account individual qualifications and interests, as well as labor market conditions. Consequently, program providers must be careful of human needs and expectations; and everyone must be realistic abnut what can reasonably be achieved in times and places of high unemployment.

(See Table 1 for Sheffield results.) The Sheffield Center will be phased out in June 1985. Originally, it had been slated to close in January but stayed open at the request of the state. One purpose was to share accumulated expertise with various agencies, so that the state would have an available base of experience to apply if it needed it in other settings.

The San Jose and Sheffield results were obtained in spite of high levels of local unemployment (9% and 21%, respectively). Sheffield had, of course, a much more difficult challenge, not only because of its unemployment rate, but also because it was in a semi-rural area with fewer industrial and commercial opportunities. At San Jose, the workforce included a substantial proportion of Hispanics and other minorities—33% Hispanic, 12% black, and 2% Oriental.

OTHER STATES, DISCRETE SERVICES

While the San Jose and Sheffield efforts were proceeding, services were being delivered to UAW-Ford laidoff employees in locations in twenty other states in late 1982 and during 1983. For the most part, these were discrete services (one or more), delivered under the guidance of a local committee and National Center personnel. In addition to the approximately 3,000 employees served at San Jose and Sheffield, another 8,000 have received services, for a total of some 11,000. In addition, relocation loans have been provided for more than 1,600 employees.

Table 1: Goals and Results for the UAW-Ford Sheffield, Alabama Career Services and Reemployment Assistance Center

	Goals	Results 6/12/83 - 3/20/85	Results as a % of Goal
Enrollment	679	661	97%
Targeted Vocational Retraining	289	400	138%
Self-Directed Job Search Training	470	377	80%
Job Placement	448	469	105%

From October 1982 through December 1984, career day conferences and vocational interest surveys were conducted in 30 locations, supplementing the outreach that was conducted by national mailings and local promotional and referral efforts. More than 4,000 employees received local career counseling and guidance. More than 6,500 enrolled in the prepaid tuition plan for laid-off employees (August 1982 - December 1984). This plan provides up to $5,000 of self-selected tuition assistance, depending on seniority. Intensive, full-day retraining (two weeks to a year or more) in technical subjects was chosen by more than 1,000 individuals. All who so desired were given job search skills training and job development and placement assistance.

In many locations this discrete approach, tailored locally with help from the UAW-Ford National Center, will continue to be used. It is the most feasible approach when there are relatively few workers at a particular site, or when locally available services are limited. But wherever possible, the "full-service" comprehensive center is becoming the preferred delivery method. In Michigan and in other Midwest areas, local center modifications to the single plant models used at San Jose and Sheffield were required, and this will be discussed next.

MIDWEST CAREER SERVICES AND REEMPLOYMENT ASSISTANCE CENTERS

In March 1984, the first of three Southeastern Michigan Career Services and Reemployment Assistance Centers for laidoff workers was opened.

The first of these three centers serves employees in the Macomb, Oakland, and St. Clair counties area. It is located at the Fraser, Michigan, site of Macomb Community College. A second site, which serves generally the city of Detroit, was opened March 27, 1984, adjacent to the campus of Marygrove College on the northwest side of the city of Detroit. The third center, located at the Dearborn Heights campus of Henry Ford Community College, opened on April 30, 1984; two satellite sites in the Wayne-Westland and Ypsilanti areas became operational later in the year. These sites serve out-Wayne County and the Ypsilanti/Ann Arbor areas. In March 1984, there were more than 10,000 laidoff UAW-represented Ford workers in southeastern Michigan.

The Michigan centers are locally operated by selected consortia composed of educational institutions, provider agencies, and UAW-Ford affiliated staff under the direction of the UAW-Ford National Center. At the Fraser site, Macomb Community College has been contracted as the lead agency. Organizations providing services include Oakland Community College and St. Clair Community College. In Detroit, Career-Works, Inc., is the lead agency, with additional services provided by Marygrove College. The third lead agency is Henry Ford Community College, with services by Jewish Vocational Services, Wayne-Westland Schools, and Washtenaw Community College.

Advisory Councils, comprised of local Company and Union representatives, interact with the outside providers and the UAW-Ford National Center to provide advice and counsel regarding activities of the Career Services and Reemployment Assistance Centers. (See Table 2.)

In San Jose and Sheffield, services could be provided fully at a single location and under the sponsorship and administration of a single joint committee. The laidoff Michigan population was from approximately twenty-five different plants and resided in a wide geographic area. Clearly, a new service delivery configuration was needed. The result is the amalgamated regional service delivery configuration just described. The centers are run not by a local committee, but by the outside lead agency. Local committees are joined in appropriate geographic Advisory Councils. The National Center, which is the grant recipient under JTPA, plays a strong oversight role, and retains a key Company and Union person to visit and regularly monitor each regional center.

The Career Services and Reemployment Assistance Centers coordinate a full range of services to participants. As in San Jose and Sheffield, they are a pivot point to assist the dislocated employee in determining needed services. Services delivered by the centers are designed under two project components: the Personal Development and Services Component, generally funded by the UAW-Ford National Center; and the Training and Placement Component, generally funded by a grant from the Michigan Governor's Office for Job Training, utilizing JTPA funds. (See Table 3 for a diagram of services.)

Program projections for the three Southeastern Michigan Career Services and Reemployment Assistance Centers were a first-year take-up of 2,000 participants in Personal Development and Services (the first component), and approximately 860 enrollments in Training and Placement (the second component), with 430 participants in this second component to be placed in jobs by the end of June 1985. The goals of 860 enrollments and 430 placements were agreed upon as part of the Michigan JTPA grant.

Since the establishment of the first Michigan center on March 12, 1984, more than 3,400 persons have received orientation. Of these, more than 2,200 enrolled in the Personal Development and Services Component.

Through March 12, 1985, the Centers had cumulative enrollmen of 1,226 in services under the Training and Placement Component. This figure represents 143% of the project's total enrollment goal of 860. With respect to placement, a total of 687 participants returned to work, 160% of the project's total placement goal. The UAW-Ford National Center

Table 2: UAW-Ford Michigan Career Services and Reemployment Assistance Centers

	Zone #1	*Zone #2*	*Zone #3*
Location	Fraser	Detroit	Dearborn/Ypsilanti
Lead Agency	Macomb Community College	CareerWorks, Inc.	Henry Ford Community College
Major Subcontractors	Oakland Community College	Marygrove College	Jewish Vocational Services Washtenaw Community College Wayne-Westland School District
Advisory Council Representatives (Company and UAW personnel from the listed locations)	Ford Tractor Chesterfield Utica Mt. Clemens Paint & Vinyl Sterling Van Dyke	Rouge Area Research & Engineering Wayne Michigan Truck Livonia Wixom Pilot Plant	Rouge Area Monroe Rawsonville Ypsilanti Research & Engineering Wayne Michigan Truck Woodhaven Livonia Sheldon Road Northville Saline

considers the Program investment well spent, for it has enhanced participants' skills and abilities as they reenter the workforce, both at Ford and non-Ford facilities. These results are based upon 11 months of operation. (See Table 4.)

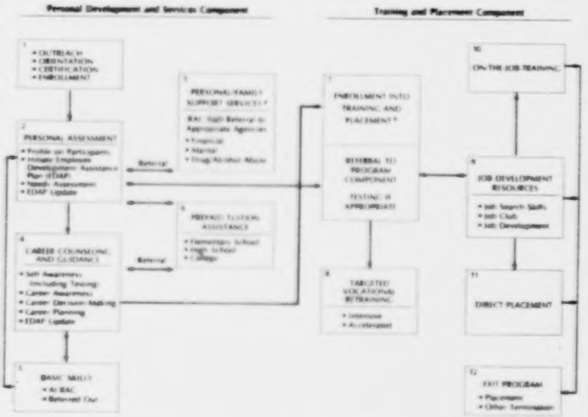
A special feature introduced in the Michigan area is a Family Relocation Service Center. This became operational in June 1984, as an adjunct service to the Career Services and Reemployment Assistance Centers. This program provides pre- and post-relocation assistance to employees and their families in the event they relocate. Among other items, services include individual and family counseling regarding relocation issues, job placement assistance for family members, development of a relocation plan, referral for financial assistance, and a complete community profile on the new location. A Relocation Guide is provided upon request to employees scheduled for relocation or to employees who have already relocated.

As of March 1985, the Family Relocation Services Center has provided relocation assistance to over 295 employees and their families relocating to Atlanta, Twin Cities, and Buffalo and to 36 employees who transferred from Green Island, New York, to the Sheldon Road Plant in Michigan.

The Michigan regional center approach, based upon a one-stop service for laidoff employees, brings together the local community, the Company, the Union, and local and state governments in a working partnership which goes beyond shared funding and includes many elements of shared delivery. The parties are expanding this regional assistance approach with the addition this year of three Career Services and Reemployment Assistance Centers in Indiana and Ohio. Although two of these locations are single plant sites, it appears the lead agency concept is better suited to deliver services when a plant has both an active and a laid-off population. A local committee cannot dedicate itself full-time to running such a center when it must at the same time serve a large population of active workers.

Table 3. Diagram of Services

UAW-Ford Career Services and Reemployment Assistance Centers (RAC)


Personal Development and Services Component
Training and Placement Component
1
• OUTREACH
• ORIENTATION
• CERTIFICATION
• ENROLLMENT
2
PERSONAL ASSESSMENT
• Profile on Participants
• Initiate Employee Development Assistance Plan (EDAP)
• Needs Assessment
• EDAP Update
3
PERSONAL/FAMILY SUPPORT SERVICES a
RAC Staff Referral to Appropriate Agencies
• Financial
• Marital
• Drug/Alcohol Abuse
Referral
4
CAREER COUNSELING AND GUIDANCE
• Self Awareness (Including Testing)
• Career Awareness
• Career Decision Making
• Career Planning
• EDAP Update
5
BASIC SKILLS
• At RAC
• Referred Out
6
PREPAID TUITION ASSISTANCE
• Elementary School
• High School
• College
Referral
7
ENROLLMENT INTO TRAINING AND PLACEMENT b
REFERRAL TO PROGRAM COMPONENT
TESTING IF APPROPRIATE
8
TARGETED VOCATIONAL RETRAINING
• Intensive
• Accelerated
9
JOB DEVELOPMENT RESOURCES
• Job Search Skills
• Job Club
• Job Development
10
ON-THE-JOB TRAINING
11
DIRECT PLACEMENT
12
EXIT PROGRAM
• Placement
• Other Termination

a. This component will be available to all participants throughout their involvement with the RAC.

b. Participants may elect to exit program prior to enrollment in Training and Placement.

OBSERVATIONS

It is no easy task to establish such Assistance Centers, whether single plant or regional consortium. Few states, especially in the early days of JTPA, could provide the full-time technical assistance necessary to structure a quality program. Company and Union personnel had no prior experience, and there were few local providers qualified to deliver the entire range of services desired. Although centers of this type are becoming more "state of the art," there are many pitfalls to be avoided and many lessons to be learned.

Such undertakings should not be started without considerable planning and commitment, in order to avoid confusion, errors, human disappointments, and promises that may not be kept. By the time the decision is made to launch a center, the desired launch time frame is short. People are waiting for services; applications for funding and installing program systems take time. A site must be found which is accessible to the population to be served. Without private funding, frequently the implementation process simply cannot begin.

Special problems are faced in implementing and operating a regional (as opposed to a plant closing site) center. It is imperative to find out if there are lead agencies and other providers who have the knowledge, staff, and flexibility to join in a consortium with both the Company and the Union.

The process used by the National Center involves a request-for-bid package issued to local providers. These providers are not asked to design a new program, or simply to describe their own program, but are requested to address how they will implement the UAW-Ford design. The bid document guidelines request agencies to form a consortium with a lead agency (which will manage the day-to-day operations) and with other member providers who will furnish services in which they excel.

A third vital member of the consortium team is UAW-Ford personnel who will be located in the regional center. They provide liaison to the Company and Union, certain direct services to the participants, and are part of the day-to-day management team. A determining factor in the success of a center is bringing these separate groups together, each with their own background, training, and perceptions. Then, they must be molded into a team with one focus: service to the displaced worker using a flexible, client-driven system.

These new relationships need constant nurturing and support, and when developed, will provide a comprehensive approach that could not be obtained from a single agency. What were initially separate and distinct organizations gradually become one team, with commitment and ownership to their local UAW-Ford Assistance Center. The Company and Union presence is always maintained by both on-site staff, and by two National Center coordinators —one Union, one Company. Under the single center approach, the quality of services will be higher, delivery will be faster, and the whole operation will be more cost effective and efficient.

UAW-Ford Employee Development and Training Program participant intake rates are high compared to those in similar programs. This probably is largely attributable to the joint Company and Union concentration of purpose, the configuration of t Program itself, and the partne.

Table 4 Goals and Results in Three Michigan UAW-Ford Career Services and Reemployment Assistance Centers

	Goals	Results 3/12/84 - 3/12/85	Results as a % of Goals
Personal Development and Services Component			
• First Year Take-Up	2,000	2,200 [a]	110%
Training and Placement Component			
• Enrollments	860	1,226	143%
• Targeted Vocational Retraining	200	209	105%
• Self-Directed Job Search Training	690	749	109%
• Placements	430	687 [b]	160%

a 2,200 employees enrolled in the Personal Development and Services Component. A total of 3,400 employees received orientation.

b Includes placements in Ford and non-Ford facilities.

Laid-off UAW-represented Ford employees attend an orientation session at a Career Services and Reemployment Assistance Center.

ships and consortia that it has encouraged. We've found that intake rates normally are higher in plant closing situations, since employees recognize clearly that there is no prospect of reemployment at their former facility. Program utilization obviously is dependent, to a significant extent, on local labor market conditions. Program utilization also is influenced by the attained skill levels of employees, by personal mobility, by family obligations and income availability, by individual characteristics, by the time and effort necessary to upgrade skills, and by an individual's vision of the short-term versus the long-term, as well as by many other factors.

The basic goal of the dislocated worker is reemployment—but, not just any employment. Dislocated workers, especially, may feel the system has let them down. They want a quality job—one with dignity—one that will last. Retraining and related activities must consider and take into account individual qualifications and interests, as well as labor market conditions. Consequently, program providers must be careful of human needs and expectations; and everyone must be realistic about what can reasonably be achieved in times and places of high unemployment.

Footnotes

1 These approaches are described in another paper presented to the 1985 Spring Meeting of the IRRA, "The UAW-Ford Employee Development and Training Program: Overview of Operations and Structure," by Thomas J. Pasco and Richard J. Collins.

2 Hansen, Gary B. 1984. Ford and the UAW Have a Better Idea: A Joint Labor-Management Approach to Plant Closings and Worker Retraining. **The Annals of the American Academy of Political and Social Science** 475: 158-174.

3 UAW-Ford National Development and Training Center. 1984. **Center Report 4: The San Jose Assembly Plant, UAW-Ford Approaches to Retraining and Job Assistance for Dislocated Workers.** Introductory Letter from the Local Union—Stan Jones, Chairman. Dearborn, Mich.: UAW-Ford National Development and Training Center.

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UAW-Ford National Development and Training Center. 1984. **Center Report 4: The San Jose Assembly Plant, UAW-Ford Approaches to Retraining and Job Assistance for Dislocated Workers.** Introductory Letter from the Local Union—Stan Jones, Chairman. Dearborn, Mich.: UAW-Ford National Development and Training Center.

A laid-off UAW-represented Ford employee is interviewed by a Participant Coach at a Career Services and Reemployment Assistance Center (CS/RAC).

CS/RACs offer laid-off UAW-represented Ford employees a variety of testing, job placement assistance, and training services.

Representative HAWKINS. The final witness is Ms. Nancy Barrett. Ms. Barrett, we welcome you as a witness.

STATEMENT OF NANCY S. BARRETT, PROFESSOR OF ECONOMICS, AMERICAN UNIVERSITY

Ms. BARRETT. Thank you, Mr. Chairman and members of the subcommittee.

My testimony will focus on three issues: Projections of the female labor force to the year 2000; patterns of female employment and related concerns regarding equity and economic well-being for women workers; and suggestions for Federal policies and programs supportive of women's successful participation in the labor force.

The rapid growth of the female labor force since the mid-1960's has had an extraordinary impact on our work and family lives. The shift in women's work roles from full-time homemaking to paid employment has been the most dramatic for married women with preschool children. In 1960 fewer than 20 percent of such women worked outside the home, compared with over 50 percent today. The number of women working or looking for work outside the home has increased by 29 million in 25 years, involving the absorption of over a million additional women workers per year into paid employment.

This dramatic change in women's work roles has had a profound effect on family lifestyles. For one thing, most families can no longer count on the services of a full-time homemaker. On the other hand, women's paychecks, at least in husband-wife families, have more than offset the impact of lower rates of productivity growth and falling real wages on families' living standards. But perhaps more fundamentally, women's changing economic roles have alterred the social relations between men and women in ways that necessitate a restructuring of the laws and social support systems that constitute their relationships with government.

The mass exodus of women from homemaking into paid employment is part of a structural transformation of the economy that is in many ways comparable to the movement of workers out of agriculture many decades ago. These two movements had similar economic roots, and both movements had important consequences for the lifestyles of families involved.

A difference was the huge magnitude and rapidity of the movement of women out of full-time homemaking. In 1960, for instance, I estimate that there were roughly 40 million women who were full-time homemakers, compared with only 20 million today. By comparison, the shift out of agriculture involved roughly 3 million workers over a much longer period of time. On average, the female labor force participation rate has increased by about three-quarters of a percent per year since the early 1960's.

Clearly, the rate at which the female labor force is growing must eventually slow down. But few observers expect the trend to be reversed. Projecting from the agriculture analogy, the economic forces that have shaped the transition in women's work roles together with eroding mobility barriers due to changing social attitudes are unlikely to be reversed. In fact, a case could be made that if the decade of the 1990's brings forth new initiatives supportive of women's labor force activity, their rate of participation will continue to climb fairly vigorously.

The Bureau of Labor Statistics projects that the female labor force will grow by roughly a million per year during the 1990's, or an average of about a third of a percent per year. This projection represents roughly a halving of the rate of increase we have been experiencing, but involves a steady increase in the female share of the work force. At that rate, by the year 2,000 women would comprise 47.5 percent of the work force relative to 45 percent today and about a third in 1960.

Several important factors could throw these projections off. The first has to do with possible welfare reform initiatives. If we are successful in developing an alternative to welfare that reduces its current work disincentives and provides decent jobs for poor women who head families, the BLS figures will probably be understated.

Second, improved earnings opportunities for all women will also increase labor force participation, and perhaps more importantly, will increase full-time participation for women who now work part time. If continued progress is made in reducing the earnings gap and barriers for professional women continue to come down, the Bureau of Labor Statistics figures may also be understated.

Third, improved child care services and more flexible leave policies and flexible working hours could make a considerable difference in women's labor force participation.

Finally, and working in the opposite direction, might be a reduction in labor force participation for older women as pension benefits for women improve.

Throughout the 1970's the BLS and most other forecasters consistently underestimated the strength of the transition in women's labor force roles. Evidence from other countries with more vigorous implementation of pay equity policies and with better household support services like child care and parental leave suggests that the female labor force participation rate could reach as high as 70 percent with these policies in effect. In Sweden, for instance, the labor force participation rate of mothers with preschool children has gone from 27 percent in 1965 to 80 percent in 1984.

Thus, I urge a note of caution in relying on official projections of female labor force growth. Much will depend upon the very Federal initiatives being considered here. If anything, however, female labor force growth may be somewhat more robust than the official projections would suggest.

I will now turn to the issue of female employment patterns. As you know, the work force is characterized by considerable occupational segregation based on sex, and jobs held predominantly and stereotypically by women tend to be paid less than other jobs. A good bit of the sizable pay gap between men and women is related to this sex-based division of labor in the workplace. And despite a modest decline in the pay gap during the 1980's, the dynamic for change in this area is much less robust than the forces behind the movement of women out of full-time homemaking, and also less robust than the conventional wisdom regarding women's changing roles would have us believe.

In 1985, for instance, 70 percent of all women employed full time were working in occupations in which over three-quarters of the employees were female, while the roughly 28 percent of employed women who work part time are even more heavily concentrated in such jobs.

Although there is considerable inertia in the overall occupational profile of the female work force, there has been a dramatic increase in the number of women entering the prestigious traditionally male-dominated professions.

While this development suggests a major breakthrough in the erosion of conventional stereotypes regarding women's work and represents an exciting potential for improved earnings opportunities for women, it is not necessarily indicative of any movement of women out of low-paying, female-dominated occupations. Rather, this group of college educated women were those who a generation ago were most likely to have been full-time homemakers.

Since the mid-1970's there has been a substantial increase in labor force participation among middle-class, well-educated women. By 1985 the proportion of women aged 25 to 34 in the labor force who attended college actually surpassed that of men. This gain was accomplished by an explosive increase in the labor force participation rate of college educated women in this age group over the decade from 1975 to 1985, from 69 to 83 percent for college graduates and from 58 to 76 percent for those who had attended college.

Surprisingly, during the 1960's there was a negative correlation between a husband's socioeconomic status and the probability that his wife would be in the work force. Sometime during the 1970's this correlation turned positive. So now men in the higher socioeconomic categories are more likely to have wives that are in the labor force than other men.

Although women are increasing their representation in the elite professions, it is nevertheless the case that working conditions for the vast majority of women have not changed much in the past generation. Women in the labor force remain concentrated in low paying clerical and sales work. Instead, the increased representation of women in the professions is coming largely from a socioeconomic group that a generation ago would have been engaged in full-time homemaking and volunteer work.

Whether or not these female inroads into the professions will reduce the male-female earnings gap remains to be seen. There seems to be a considerable segregation of women within the prestigious occupations into the lower paying specialities.

Moreover, in professions where there is a hierarchical status and salary structure women are concentrated at the bottom of the ladder. This suggests that the concept of equal employment opportunity needs to be extended beyond the point at which workers are newly hired to a monitoring of promotion and pay practices in the internal labor markets of firms and organizations.

Two major issues emerge from this discussion. First, as employment outside the home has become the predominant economic role for American women, equitable treatment in the workplace has become a foremost concern. This concern has intensified in the public debate due in part to the fact that well educated and articulate middle class women now see themselves as part of this new trend, and because the accompanying growth of households headed by women links up women's inferior job opportunities with the poverty problem.

Second, we have also become concerned with the impact of this trend of families, especially children, and have begun to consider whether some of our laws and social institutions that were predicated on the widespread availability of full-time homemakers need to be overhauled.

It has been widely accepted, at least since the passage of title VII of the Civil Rights Act of 1964, that mandating equal pay for equal work in a sex segregated labor market will not eliminate sex discrimination in employment. Instead, proponents of equal employment opportunity for women have emphasized equal access to higher paying job opportunities, affirmative action to eliminate stereotypes by both employers and employees, and the resocialization of young women and men to new expectations regarding sex roles. Yet even as stereotypes are breaking down, although perhaps not quite as rapidly as the expectations the conventional wisdom encourages, problems remain and new approaches need to be tested.

For low income women the pace of their movement out of the low paying female occupations is dishearteningly slow. There is an obvious link between poverty and female headed households and the low pay in female dominated occupations.

One way to improve the economic well-being of these women would be through a concerted effort to encourage employers to reevaluate their wage structures with the aim of raising pay in predominantly female categories when warranted by the skill and responsibility inherent in the job. One could make a case that lower pay for women's work is as much the result of tradition as of the inherent inferiority of these jobs.

A concerted national effort to increase pay rates in jobs that are predominantly held by women, sweetened perhaps with tax credits for firms that implement such wage adjustments, would be preferable to our current practice of judicial review on a case-by-case basis.

Of course, discriminatory pay systems should be remedied in the courts, but it is difficult to arrive at a widely accepted definition of discrimination in a sex segregated work force. Regardless of whether one considers women victims of discrimination, however, it should be obvious that a national commitment to improving women's earnings must begin with a commitment to raising pay for the jobs that most women hold.

For professional women the battle for equal access to professional schools and entry level jobs has been largely won. For these women the issues of the 1990's will revolve around upward mobility and access to higher paying specialities and upper level responsibilities. This suggests that we will need to reorient our equal employment opportunity and affirmative action efforts laws beyond the entry level to the internal pay and promotion practices of firms and organizations.

This is not the forum to argue for a much needed welfare reform that both raises benefits and does not discourage welfare recipients from working. But welfare will never be a solution to poverty; it will only mitigate poverty's effects. The real issues in welfare reform is to recognize that the societal model in which women are expected to be full-time homemakers is no longer the norm. The emphasis must be on a major commitment to improve the employability of welfare mothers and to improve their job opportunities once they are prepared to enter the labor market. This will involve the provision of training for those who lack skills, public service employment for those who need work experience, as well as the implementation of the pay equity strategy discussed earlier.

So far my discussion has focused on equity in pay and equal employment opportunity. However, I also noted that women's changing economic roles have occasioned other problems. Child care, for instance, is as urgent need, and yet our system of child care remains predicated on a societal model in which full-time homemakers are the norm. More than 10 million preschool children now have mothers who work, and yet we lack a national or locally based program for child care. Child care arrangements for these millions of children are appallingly haphazard.

Other areas of concern include benefit and retirement schemes, including social security, that presuppose the traditional family, and a workplace environment that sets hours, vacations, geographic transfer policy, et cetera, on the presumption of a traditional worker; that is, a single breadwinner supported by a full-time homemaker. Our income tax system based on family rather than individual earnings is also out of date and creates serious inequities.

One final point that I would like to make concerns our attitudes about child support enforcement. When most married couples with children consisted of a male breadwinner and female homemaker it was widely accepted that a husband would share his earnings with his wife and children. As traditional familial roles have changed, so apparently has the attitude that a father should contribute to the support of his children. Fewer than half of all households maintained by women receive any child support payments at all from absent fathers, and those that do receive very small amounts.

The State of Wisconsin is experimenting with a system in which an absent parent is required to pay a child support tax, a share of his or her gross income. This tax is automatically withheld from pay, with the State guaranteeing a minimum amount if the absent parent has insufficient income. This approach has the potential for linking up parental responsibility with a system of child-related welfare payments that would not contain the work disincentives for the custodial parent and the support disincentives for the absent parent that are currently present in the AFDC system. I thank you very much for inviting me today.

[The prepared statement of Ms. Barrett follows:]

PREPARED STATEMENT OF NANCY S. BARRETT

Mr. Chairman and Members of the Committee:

I am pleased to be able to share with you my views on employment prospects for women in the year 2000, as part of the Committee's hearings on employment in the year 2000. Much of my testimony today will be drawn from an earlier research project I undertook for the Congressional Caucus for Women's Issues, and which appeared as part of the volume, *The American Woman, 1987-88* (New York: W.W. Norton & Company, 1987), edited by Sara E. Rix.

My testimony will focus on three issues: (1) projections of the female labor force participation rate, (2) patterns of female employment and related concerns regarding equity and economic well-being for women workers, and (3) suggestions for federal policies and programs supportive of women's successful participation in the labor force.

Women's Labor Force Participation

The rapid growth of the female labor force since the mid-1960s has had an extraordinary impact on our work and family lives. The shift in women's work roles -- from fulltime homemaking to paid employment -- has been the most dramatic for married women with preschool children. In 1960, fewer than 20 percent of these women worked outside the home, compared with over 50 percent today. The number of all women working or looking for work outside the home has increased by 29 million in 25 years, involving the absorption of more than a million additional women workers per year into paid employment.

This dramatic change in women's work roles has had a profound effect on family lifestyles. For one thing, families can no longer count on the services of a fulltime homemaker. On the other hand, women's paychecks (at least in husband-wife families) have more than offset the impact of lower rates of productivitity growth and falling real wages on families' living standards. But more fundamentally, women's changing economic roles have altered the social relations between men and women in ways that necessitate a restructuring of the laws and social support systems that constitute their relationships with government.

The mass exodus of women from homemaking into paid employment is part of a structural transformation of the economy that is in many ways comparable to the movement of workers out of agriculture many decades ago. These two movements had similar economic roots (both home production and farm work are highly labor-intensive activities for which the impact of rapid technological change and opportunities for higher incomes in the rest of the economy produced a mutually reinforcing push and pull) and both movements had important consequences for the lifestyles of families involved. A difference was the huge magnitude and rapidity of the movement of women out of fulltime homemaking. In 1960, for instance, I estimate that there were roughly 40 million women who were fulltime homemakers, compared with only about 20 million today. (By comparison, about 3 million workers moved out of the farm economy, over a longer period of time.) On average, the female labor force participation rate has increased by three-quarters of a percent (or over a million women) per year since the early 1960s.

Clearly, the rate at which the female labor force is growing must eventually slow down. But few observers expect the trend to be reversed. Projecting from the agriculture analogy, the economic forces that have shaped the transition in women's work roles together with eroding mobility barriers due to changing social attitudes are unlikely to be reversed. In fact, a case could be made that if the decade of the 1990s brings forth new initiatives supportive of women workers, their rate of participation will continue to climb fairly vigorously.

The Bureau of Labor Statistics projects that the female labor force will grow by roughly 944,000 per year during the 1990s, or an average of .36 percent per year.[*] This projection represents roughly a halving of the rate of increase we have been experiencing, but involves a steady increase in the female share of the workforce. At that rate, by the year 2000, women would comprise 47.5 percent of the workforce, relative to 45 percent today and 33.4 percent in 1960.

Several important factors could throw these projections off. The first has to do with possible welfare reform initiatives. If we are successful in developing an alternative to welfare that reduces its current work disincentives and provides decent jobs for poor women who head families, the Bureau of Labor Statistics figures will probably be understated. Second, improved earnings opportunities for all women will also increase female labor force participation and (perhaps more importantly) will increase fulltime participation for women who now work parttime. Research has shown that the labor supply response to higher wages is much greater for women than for men (presumably because women have more discretion in the decision to enter or leave paid employment.) If continued progress is made in reducing the earnings gap and barriers for professional women continue to come down, the Bureau of Labor Statistics figures may be understated. Third, improved child care services, more flexible leave policies and flexible working hours, and other supportive measures could make a considerable difference in women's labor force participation. Finally, and working in the opposite direction, might be a reduction in labor force participation for older women as pension benefits for women improve (although changes in Social Security rules could encourage delayed retirement).

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[*] Cited in William B. Johnson, Workforce 2000 (The Hudson Institute, 1987), p. 85.

Throughout the 1970s, the Bureau of Labor Statistics and most other forecasters consistently underestimated the strength of the transition in women's labor force roles. Evidence from other countries with more vigorous implementation of pay equity policies and with better household support services like child care and parental leave, suggests that the female labor force participation rate could reach as high as 70 percent with supportive policies in effect. In Sweden, for instance, the labor force participation rate of mothers with preschool children has gone from 27 percent in 1965 to more than 80 percent in 1984.[*] In 1982, the overall labor force participation rate for women was 77 percent, compared with 86 percent for men.[**] (The labor force participation rate for U.S. males in 1987 was 76.8 percent.)

Thus, I urge a note of caution in relying on official projections of female labor force growth. Much will depend upon on the very federal initiatives being considered here. If anything, however, female labor force growth may be somewhat more robust than the official projections would suggest.

Patterns of Female Employment

I will not use this occasion to develop at length some of the well-known facts about women's status in paid employment. Briefly, the workforce is characterized by considerable occupational segregation based on sex, and jobs held predominantly and stereotypically by women tend to be paid less than other jobs. A good bit of the sizeable pay gap between men and women is related to this sex-based division of labor in the workplace. And despite a modest decline in the pay gap during the 1980s (a decline that I have elsewhere noted is less the result of women moving into better-paying jobs than the effect of the deep recession that had a disproportionate effect on the high-wage, male-dominated sectors of the economy),[*] the dynamic for change in this area is much less robust than the forces behind the movement of women out of fulltime homemaking, and also less robust than the conventional wisdom regarding women's changing roles would have us believe. In 1985, for instance, 70 percent of all women employed fulltime were working in occupations in which over three-quarters of the employees were female, while the roughly 28 percent of employed women who work part time are even more heavily concentrated in female-dominated occupations.

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[*] The Swedish Institute, Fact Sheets on Sweden, 1984.

[**] The Swedish Institute, Fact Sheets on Sweden, 1982.

Although there is considerable inertia in the overall occupational profile of the female workforce, there has been a dramatic increase in the numbers of women entering the prestigious, traditionally male-dominated professions. Between 1972 and 1987, the percentage of women receiving degrees jumped from 4 percent to 33 percent for MBAs, 3.3 percent to 36.8 percent for law, 6.5 percent to 28.2 percent for MDs, and .7 percent to 19.6 percent for dentistry.[**] While this development suggests a major breakthrough in the erosion of conventional stereotypes regarding women's work and represents an exciting potential for improved earnings opportunities for women, it is not necessarily indicative of any movement of women out of low-paying female dominated occupations. Rather, this group of college-educated women were those who a generation ago were the

[*] See *The American Woman, 1987-88*, pp. 133-4.

[**] Social Security Administration, Office of Strategic Planning, 1987.

ones most likely to have dropped out of the labor force during their childbearing years.

Since the mid-1970s, the most substantial increase in labor force participation has been among middle-class, well-educated women. By 1985, the proportion of women aged 25 to 34 in the labor force who attended college actually surpassed that of men. This gain was accomplished by an explosive increase in the labor force participation rate of college-educated women in this age group over the decade from 1975 to 1985 -- from 69 to 83 percent for college graduates and from 58 to 76 percent for those who had attended college. Given the expectation of a career in paid employment rather than a brief period of employment prior to that of being a fulltime homemaker, it is not surprising that young women are pursuing professional degrees.

Although women are increasing their representation in the elite professions, it is nevertheless the case that working conditions for the vast majority of women have not changed much in the past generation. Women in the labor force remain concentrated in low-paying clerical and sales work. (A notable exception is the situation of black women whose movement into clerical and sales work from domestic household service has meant considerable upward mobility, both socially and economically.) Instead, the increased representation of women in the professions is coming largely from a socioeconomic group that a generation ago would have been engaged in fulltime homemaking and volunteer work (that is, in non-labor market activities.)

Whether or not these female inroads into the professions will reduce the male-female earnings gap remains to be seen. There seems to be considerable segregation of women within the prestigious occupations into the lower-paying specialities. For instance, in medicine, women predominate in specialties like pediatrics and nutrition, both of which pay less than a male-dominated specialty like surgery. Moreover, in professions where there is a hierarchical status and salary structure, women are concentrated at the bottom of the ladder. For instance, women on college faculties account for only 10 percent of full professors and 50 percent of instructors and lecturers.[*] While part of this is obviously related to the fact that predominately younger cohorts of women are available for such positions, there is also evidence that promotion rates from the available pool of women at all levels are lower than male promotion rates.[**] This suggests that the concept of equal employment opportunity needs to extend beyond the point at which workers are newly hired to a monitoring of promotion and pay practices in the internal labor markets of firms and organizations.

Equity and Economic Well-Being for Women Workers

Two major issues emerge from this discussion. First, as employment outside the home has become the predominant economic role for American women, equitable treatment in the workplace has become a foremost concern. This concern has intensified in the public debate due to the fact that the well-educated, articulate middle class now see themselves as part of this new trend, and because the accompanying growth of households headed by women links up women's inferior job opportunities with the poverty problem. Second, we have also become concerned with the impact of this trend on families -- especially children -- and have begun to consider whether some of our laws and social institutions that were predicated on the widespread availability of fulltime homemakers might need to be overhauled.

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[*] The American Woman, 1987-88, p. 122.

[**] See for instance Deborah M. Figart, "Gender, Unions, and Internal Labor Markets: Evidence from the Public Sector in Two States," American Economic Review, 77 (May 1987), pp. 252-56.

It has been widely accepted, at least since the passage of Title VII of the Civil Rights Act of 1964, that mandating equal pay for equal work in a sex-segregated labor market will not eliminate sex discrimination in employment. Instead, proponents of equal employment opportunity for women have emphasized equal access to higher paying job opportunities, affirmative action to eliminate stereotypes by both employers and employees, and resocialization of young women and men to new expectations regarding sex roles. Yet even as stereotypes are breaking down (although perhaps not quite as rapidly as the expectations the conventional wisdom encourages), problems remain and new approaches need to be tested.

For low income women, the pace of their movement out of low-paying female occupations is dishearteningly slow. There is an obvious link between poverty in female-headed households and the low pay in female-dominated occupations. One way to improve the economic well-being of these women would be through a concerted effort to encourage employers to reevaluate their wage structures with the aim of raising pay in predominantly female categories when warranted by the skill and responsibility inherent in the job. One could make a case that lower pay for women is as much the result of tradition as of the inherent inferiority of women's work.

A concerted, national effort to increase rates of pay in jobs that are predominately held by women (sweetened perhaps with tax credits for firms that implement such wage adjustments) would be preferable to our current practice of judicial review on a case by case basis. Of course, discriminatory pay systems should be remedied in the courts. But it is difficult to arrive at a widely accepted definition of discrimination in a sex-segregated workforce. Regardless of whether one considers women victims of discrimination, however, it should be obvious that a national commitment to improving women's earnings must begin with a commitment to raising pay for the jobs most women hold.

For professional women, the battle for equal access to professional schools and entry-level jobs has been largely won. For these women, the issues of the 1990s will revolve around upward mobility and access to higher-paying specialities and upper-level responsibilities. This suggests that we will need to reorient our equal employment opportunity and affirmative action efforts laws beyond the entry level to the internal pay and promotion and practices of firms and organizations.

So far, this discussion has ignored the problems of disadvantaged women, many of whom find welfare an alternative to a low-paying job. In 1984, the median weekly earnings of employed women aged 25 to 54 who maintained faimilies was $266 per week when working full time. Subtracting payroll taxes and a modest $10 per day for all work-related expenses (including childcare), this comes to $10,275 per year, relative to the 1984 poverty threshhold of $10,609 for a family of four. With a 10.4 percent unemployment rate for women who maintain families, many women were not able to find year-round work, so that they earned less than the year-round median. Although welfare benefits are woefully inadequate, they become an attractive alternative for many women at the low end of the wage distribution. Welfare has the added attraction of reliability, while jobs these women hold are unstable at best. AFDC also provides eligibility for Medicaid, while equivalent medical benefits may not be available in paid employment.

This is not the forum to argue for a much-needed welfare reform that both raises benefits and does not discourage welfare recipients from working. But welfare will never be a solution to poverty; it will only mitigate poverty's effects. The real issue in welfare reform is to recognize that the societal model in which women are expected to be fulltime homemakers is no longer the norm. The emphasis must be on a major commitment to improve the employability of welfare mothers and to improve their job opportunities once they are prepared to enter the labor market. This will involve the provision of training for those who lack skills, public service employment for those who need work experience, as well as the implementaion of the pay equity strategy discussed earlier.

Since 1981, there have been major cutbacks in governmental employment and training programs (formerly under CETA) for poor women who maintain families. But statistical studies of earlier CETA participants paint a consistent picture of the success of these programs in raising earnings of poor women and encouraging them to maintain a more permanent attachment to the workforce.[*] While the gains were admittedly modest relative to the magnitude of the poverty problem, they offer evidence that a jobs-oriented approach is feasible as a long-run strategy, and surely preferable to the current welfare system.

So far, our discussion has focused on equity in pay and equal employment opportunity. However, we noted that women's changing economic roles have occasioned other problems. Child care, for instance is an urgent need, and yet our system of child care remains predicated on a societal model in which fulltime homemakers are the norm. More than 10 million preschool children now have mothers who work, and yet we lack a national (or locally based) program for child care. Child care arrangements for these millions of children are appallingly haphazard. Lack of a child care policy is symptomatic of our national ambivalence about women's changing economic roles, but failure to act is creating a crisis for children and family life.

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[*] For an excellent review of these studies see Margaret Simms, "The Participation of Young Women in Employment and Training Programs," in National Research Council, *Youth Employment and Training Programs: The YEDPA Years* (Washington, D.C.: The National Academy Press, 1986); and Westat, Inc., *Impact on 1977 Earnings of New FY 1976 CETA Enrollees in Selected Program Activities*, March 1981. Available from U.S. Department of Labor, Office of Program Evaluation, Employment and Training Administration.

Other areas of concern include benefit and retirement schemes (including Social Security) that presuppose the "traditional" family, and a workplace environment that sets hours, vacations, geographic transfer policy, etc. on the presumption of a "traditional" worker (i.e. a single breadwinner supported by a fulltime homemaker). Our income tax system based on family earnings rather than individual earnings is also out of date and creates serious inequities between similarly situated families with different numbers of earners and marital arrangements.

A final concern relates to our attitudes about child support enforcement. When most married couples with children consisted of a male breadwinner and female homemaker, it was widely accepted that a husband would share his earnings with his wife and children. Divorce was understandably less common under this pattern than in a two-earner family, as economic dependence provided a sort of glue that held together even unsatisfactory marriages. As traditional familial roles have changed, so apparently has the attitude that a father should contribute to the support of his children. Fewer than half of all households maintained by women receive any child support payments at all from absent fathers and those that do receive very small amounts.

The State of Wisconsin is experimenting with a system in which an absent parent is required to pay a "child support tax" -- a share of his or her gross income. The tax is automatically withheld from pay, with the state guaranteeing a minimum amount if the absent parent has insufficient income. This approach has the potential for linking up parental responsibility with a system of child-related welfare payments that would not contain the work disincentives for the custodial parent and the support disincentives for the absent parent that are currently present in the AFDC system.

Policy Initiatives

A number of policy recommendations flow from the foregoing analysis. These include:

o Extension of the concepts of equal employment opportunity and affirmative action beyond the entry level to monitor the avenues for upward mobility in the internal labor markets of firms and organizations.

o A national commitment, supported by a program of tax credits, to encourage firms to reevaluate their pay systems with the aim of raising pay rates for jobs tradionally held by women, where such adjustments are merited by the skill and responsibility inherent in the job.

o A reevaluation of employer and governmental practices regarding benefits, working conditions, retirement, taxation, etc., in the light of women's changing economic roles and their implications for workers and families.

o Welfare reform, including the provision of employment and training services, child care, improved child support enforcement, and policies to ease rather than impede the transition from welfare to work.

- Restoration of employment and training programs for the disadvantaged.
- A national childcare policy.
- A national program of child support enforcement.

Representative **Hawkins**. Thank you, Ms. Barrett.

I think the subcommittee is indeed fortunate this morning to have three representatives from the corporate sector and two from education. There seems to be somewhat of a gap from what the witnesses have said. It seems to me that there is some lack of coordination between what industry thinks it needs in terms of qualified people to do the job and, on the other hand, the inability or reluctance of the schools to produce these individuals.

I don't know just who is supposed to coordinate and who is going to get them together. I doubt if those who are seated at the table ever meet outside of a hearing to do that.

It seems to me that there is a serious challenge made to the schools if we can believe what we have heard, and I think we do.

Ms. Futrell, maybe you can help us unwind a little bit. Why do you think that the schools seem not to be meeting the challenge of providing graduates with the necessary skills that industry seems to be complaining about?

I think we have heard that complaint this morning. I think we have heard many others make that same complaint, that even high school graduates just do not seem to be able to go into industry, without industry assuming a heavy load almost sometimes as a second school to do what we assume the school should be doing in the first instance. I know you have heard this yourself many times.

Ms. **Futrell**. Yes. I will be very happy to try to respond. We do not disagree that there are many problems within the schools and that many young people who are enrolled are not receiving the quality education which they rightfully deserve.

We no longer have the choices we had before to select from a wide range of young people to work in factories, et cetera. We could be much more selective then than we can afford to be now.

The schools of today are reflective of what the future will look like. As we look to the future, we have more poor children coming through our schools. We have more minority children coming through our schools, more children who do not speak English as a first language. The family structure and all other social dynamics impact what happens in the schools and also impact what happens in society.

Many of the young people who 20 years ago would not have applied for those jobs or who would have dropped out are now staying in school. Those are the young people trying to get a better education. They will be the future employees for the businesses.

We also find, Mr. Chairman, that the schools are probably 10 to 15 years behind industry. Changes are occurring so rapidly in the work force, in the business world, that it is extremely difficult for us to keep up.

Allow me to give you an example. As I indicated, I was a teacher who worked in a work readiness program, business education. When we would bring equipment in we thought we had the latest. We would often find out that what we had might be the latest for schools, but it was 10 or 15 years behind what was being used in a Motorola or a Ford factory or an office building. We were trying to prepare young people, and yet what we had was already outdated. That continues to be a major problem today.

Oftentimes the training is not there. The members of the school staffs—I use that in a plural sense, because I am speaking of schools in general across the United States—the up-to-date training is not provided. We do not have the in-service programs, the conferences and the workshops that to us stay abreast of what is going on in the work force.

We also find that we don't get the support from home which would help us help young people get a good education. You have heard me say a number of times before that my family was poor, but my mother knew that with a good education we could break the cycle of poverty. So she insisted that the homework should be done and turned in. She insisted that the grades be maintained at a very high level. She insisted that we go to school every day and that we behaved ourselves and that we listened and we participated. But in too many instances that kind of parental support is now absent. Many parents seem to have, and therefore to permit in their children, a microwave mentality: an instant education and "I don't have to work very hard to get it."

I believe that if we are going to improve the quality of education for all young people and better prepare young workers for tomorrow, we must restructure schools and we must involve teachers more in the decisionmaking process. But we must have a stronger alliance between the school and the home, between the business world, between the industrial world and the school.

In many communities we are beginning to set up advisory committees where we invite members of the business community to sit down on a regular basis with us and talk to us about what skills are required of someone seeking a job in their area, what can we do in the schools to improve the quality of education. In many school districts those committees are working. In others we cannot find people to serve. Or if they agree to serve, they don't come to the meetings. Or if they come, they want to dictate what we should do in the schools rather than work with us in trying to bring about changes in the schools.

I think that we need better training for teachers, better preparation for those of us who are in the profession and for those who are coming in.

And I think that we need to do a better job of convincing young people that a good education now will open doors in the future. We need to get them to understand that the education they receive today will help them to adjust to a changing world of work in which they will change careers five or six times in their lifetime. We need to help them realize that they will have to be more knowledgeable and understand the basics. To me, the basics are the basics you need in order to survive. For one person it might be computer literacy; for someone else it might be foreign languages. But all young people need a good, solid basic education, and they need to learn how to work together.

I was struck by a comment made by Mr. Braun, that we need to teach young people how to work in teams. If you look at the way schools are structured, students are not taught to work in groups. They are taught to stay in their seats, do their work. That is the way the schools are set up. So we are trying to restructure that kind of environment and have a more participatory, more group learning type activity.

Those are just some of the things I think we can do to try to provide a better quality of education for all young people.

One other point that I would like to raise. Up to this point only about 20 percent of all young people are receiving the best education possible.

I think one of the tough issues we have to address—and it won't be a very pleasant issue—is the whole issue of tracking. We have large numbers of young people, especially minority kids and poor kids, who are trapped in the lower echelons of the educational system and cannot get out. I wish I could say to you that those young people are receiving quality education. In many instances they are not. Yet they are the ones who are becoming a larger and larger segment of our society.

As we talk about restructuring schools, we need not only to give teachers more say and to provide a totally different environment, but we must also be willing to tackle the issue of tracking.

I say that it is tough, Mr. Chairman. The young people who are at the top, their parents are satisfied, because those young people are getting a good education. They will probably say to you "why should we change the system?" especially if it means that many of the other children who have been trapped will now be in their children's classrooms.

That is going to be a tough issue. But if we are going to provide quality education for a hundred percent, then we will have to address the issue of tracking, because it has now become very tunneled and is a system where when young people get trapped in the elementary grades they can't get out. And for many, they are not getting a good education. Many of those are the ones who are going into the Motorola Corp. and into Ford, and they are going to many of these other places.

Representative **Hawkins**. Thank you for your candor. Let me try to distribute some of the questions and yield to some of the other members.

It was Mr. Braun or perhaps Mr. Robinson who made several specific suggestions that seemed to be clearly within the jurisdiction of committees of Congress. One was the tuition reimbursement issue that unfortunately was eliminated in the last tax act. I think you mentioned the payment of overtime by employers of employees who were in school being remediated or upgrading their skills. I think you made one other suggestion.

Confining it to those two, can you elaborate a little bit more on the question of overtime and employees who are actually in school, how that operates currently to the disadvantage of the company?

Mr. **Robinson**. Certainly. I would like to talk about two programs that I am aware of where we have sent employees to school full time for a year. Our friends at Texas Instruments have a similar program. In that case we post a job in the factory, on the bulletin board, and the job is to go to school for a year and get a technician degree. That's a 2-year associate's degree from a community college. We are running 20 to 30 students at a time through that.

You can well imagine, then, that if we took our full work force in Phoenix, AZ, who wanted to do that we would have zero product out the door, because we couldn't afford to do it. We have made a commitment to do it and we have been doing it for 4 or 5 years and it is very successful. We see some real success stories.

One of the exciting parts of this whole program of identifying people in the factory, females and minorities, who want to grow is that we now can provide for more of our employee needs from the loyal employee population. One of the best stories we have is someone who started with us as a custodian, an Hispanic lady. She has since raised six children. She has finished her associate's degree in electrical engineering. She has finished her 4-year bachelor's degree and going on for an MBA.

The challenge of this for her and for us is that the community around her doesn't really quite understand why she is doing that. When I talk to her she has a very interesting perspective. One day she said, "By the way, John, let's talk in Spanish. It gives me an advantage."

So we talked for a while, and I said, "What are your priorities?"

She said, "Faith, family, education, job," and a few other personal things.

And I said, "Well, how do you fit all those things in?"

And she said, "I have to wake up from 2 to 4 in the morning to study, because I still have family responsibilities to cook and make sure my children are educated."

That's an enormous burden on somebody. She is to be applauded, and others ought to know of the great success. But I am very concerned that others who found out about that would say "I just can't do all that, I can't possibly do that."

There ought to be a way, as Ms. Futrell says, to get business and industry talking on a better way to do this. One of the most significant things she said was the schools haven't yet fully addressed the question of working in a participative environment.

I am on a kindergarten through eight school board. Frankly, the discussion of a participative environment never came up. When she said that, I thought back on the last 6 years, and I thought how come I have not raised that with the other members of the school board? John Robinson has a task to do at the school board meeting next Tuesday. I am not sure yet how I am going to raise that. I have got to think a little bit about it, because that is such a new concept for a traditional educational system that I cannot come at it directly. I think I am going to have to talk about where we are in business.

A kindergarten through eight school board can't alone make the difference, because those students go on through high school and perhaps many of them go through higher education and then show up in the work force. That is a little bit of a challenge for us.

In conclusion, we are finding innovative ways to do it. In terms of taxation, the tuition reimbursement question is one that we have supported for a long time. We hope Congress can support tax free tuition reimbursement again.

The other has to do with whether we pay people overtime or not for education. Sure, we do pay them for training, because that is part of their job. They go to school on our plant, on our time, for training. They expect it and we expect it, and that comes with the territory.

One of the concerns we and other manufacturers have is if we have to do remediation for skills we cannot send everybody who needs it to school during the workday or our factory productivity is going to stop. We pay for the education in remedial skills in the evening to bring people up to where they want to be.

We heard from Mr. Savoie from Ford that people want to do an excellent job, given the opportunity, but if they cannot do math and do not have the English language comprehension, they cannot do it. We would like to see a dialog about how to allow people who volunteer for the education to get it without either the corporation being taxed on it, or the exmployee being taxed on it. Perhaps that could be a window or a period of time so that it is predictable, so we know what could happen there.

Does that answer your question?

Representative HAWKINS. Yes, it does. I am sure that we could go on if we had the time. We will certainly attempt to follow through with you. Several of these issues are within the jurisdiction of some of the committees that are currently involved in the taxation issue as well as the fair labor standards issue, and I think they fit within those categories. They are very novel ideals.

I am wondering whether or not these have been fully expressed to the appropriate committees. In other words, on the question of tuition reimbursement which was included in a tax bill. I am confident that most Members of Congress did not even realize what they were doing. That is the unfortunate part of it, that sometimes these issues are buried in an omnibus bill and voted on without the full impact of what is really being done. Let me yield to Congressman McMillan.

Representative MCMILLAN. Thank you, Mr. Chairman. I might just follow up on that to sort of get it down to where the water hits the wheel. I think that happened in that omnibus bill because basically in tax reform there was an objective to try to be revenue neutral. There was an attempt to eliminate a whole host of inequities that existed in the tax law. I think we hit on some. Perhaps we didn't hit on others. That is an unfortunate casualty.

Let me put it to you the other way. You are involved in education and you are involved corporately. You raised two interesting points.

Do you think Motorola as a corporation and that the employees of Motorola as individuals would be willing to see their marginal tax rates raised in order that tuition tax credits or whatever form a positive government response to this need would take could be paid for? There is a revenue cost to government by making that change.

Mr. ROBINSON. That is a difficult one. Particularly for the ones who need it most. A little over 50 percent of the people who are taking advantage of tuition reimbursement are making less than $30,000 a year. The category that is of the most agony for us are the ones making $15,000 to $20,000. They take home, perhaps, $200 or $250 a week. As it presently stands for community college tuition, their whole paycheck on April 15, has to go to pay the additional tax on that education.

Would they agree to additional tax? I don't think they would be in favor of it.

Representative McMillan. I do not so much mean the individual affected. I am talking about their peers, so to speak, in the workplace. Would I as a person earning in the same category as another who has no child in school or is not pursuing some self-education program vote to in effect subsidize my neighbor in that respect? I think that is part of the issue.

Mr. Robinson. I think there has to be another way to do it without raising the taxation of the taxpayers. There is a bill in the House that is sponsored by Congressman Guarini. I understand he has 300 cosponsors at this point. He tells us that he has a way to fund the bill but he has not yet released the concept.

Representative McMillan. That is the kind we have had around here for a long time.

Mr. Robinson. I wish he was here. We have asked him the same question: Where is the money going to come from? because we are going to be asked the same question, and he says "at the right time, when Rostenkowski is ready, I will tell him."

Representative McMillan. He has got a lot of power, then.

Mr. Robinson. We have talked to Rostenkowski at great length; we have talked to Marty Russo from Illinois about it. As you can imagine, there are numerous anecdotes and stories. That really begs the issue: What are we going to do? Collectively we have got to find a solution. We have a lot of folks hurting over this one, and a lot of agony and a lot of anger right now.

Representative McMillan. I agree with you. I think that is an incentive that is important and I was sorry to see it lost in the tax reform. Maybe we can find a way to restore it, but there will have to be some balance or some offsetting way of coping with it, because we are already $150 billion a year behind.

Mr. Robinson. We know that.

Representative McMillan. That gets to another point that I do not think I want to dwell on. I think it should be pointed out, if the statistics I have are correct, that the United States in the aggregate, Federal, State, and local governments, spends more per capita on education than any nation in the world. That may be subject to some reexamination. So the issue in part is not just are we spending enough; the issue really is are we spending it effectively. I think most of you have raised questions along those lines today.

I think the chairman really introduced the key question, and that is, is the educational system responding or not responding to the needs out in society as a whole? I thought Ms. Futrell made an excellent response to that in terms of what should be done. My concern really has to do with her comment as well that perhaps education is 20 years behind industry. That would, of course, vary, depending on the specific situation that we are addressing.

I would think it would be an almost impossible job of secondary education to stay currently abreast with the needs of business or institutions in the workplace within their own communities right up to a point of turning out a product that was ready for the workplace. I think part of the issue has to do with the very basic skills that enable a person to adapt to what we all know is a rapidly changing world. The business itself is constantly probably running behind itself in terms of preparing its own people for that change. So maybe the emphasis upon certain fundamentals that we could agree upon is really the most important function of secondary education.

I would like to pursue the question. You got a chance to respond to the chairman's question with respect to what from the perspective of what NEA is doing to stay abreast. I would ask Mr. Savoie and Mr. Braun if they would care to comment.

Do you feel the educational establishment in the communities in which you operate makes a concerted effort to be responsive to your needs? Or do you make a concerted effort to try to inform that community or that school board or that administration or teachers group as to where you think the shortfalls are and what needs to be done about it?

Mr. **Savoie**. I believe that many of our school systems do make a very concerted effort and a very quality effort to try to assist the businesses that approach them. But I think first the businesses usually have to approach the school systems rather than the other way around.

Also, we as a matter of conviction at Ford have put in a tremendous amount of resources. We built local learning centers at our plants; we bring the school system into the plants; and the school does the job.

I think the biggest problem in America, however, is not really the degree to which the businesses and the schools can work together when they want to work together, whether at the remedial level or whether at the college level or at the higher level. I believe our problem is primarily in the entrance level, the area of the dropouts, the area of the big cities. We have more of a big city and social problem than we have a school problem, which gets reflected in the school problem.

One of the questions seemed to blame the educational institutions. I myself was a teacher at one time. I know many teachers. There is a great dedication to try to do the job. We as Americans must understand there is a huge social problem of which the schools are a part. We must address those problems, helping the schools rather than simply indicating "the schools are not turning the right people out. Why aren't they turning the right people out?"

I think you are absolutely correct. It is a question of effectiveness.

In industry we don't want to produce scrap anymore; we don't want to produce waste. But in the educational system what we are often doing is paying twice for people to learn. I think as a society that is a cost that we can no longer bear.

I think the good news is that the institutions do want to work together. And many of them do. Beyond that we are in a vast interrelated problem. I think a call to a national commitment at a very high level to do this, to empower people, to make them want to do it will give us some progress. I am not sure it will give us the type of progress we need in big cities, but the social problems, the breakdown of the families, the crime and the drugs are also part of this total problem.

Mr. **Braun**. Since we operate, just like Ford, across the country and around the world, we have had better luck with the school systems in smaller communities than we have in larger cities. It seems like the smaller communities tend to have less bureaucracy in their school system and it is easier for them to change and work with industry as contrasted to a city school system, say like in the Chicago area. I do not think it is an unwillingness; it is just a matter of bureaucracy as far as how you can do this.

We have a plant at Arcade, NY, which is about 40 miles from Buffalo. They are very willing to do anything necessary to make sure their students coming out of high school are better equipped to work in the plants in and around the Arcade area, and specifically the Motorola plant.

It seems like the larger school systems are more interested in getting the students out, than the quality of the student getting out. It is almost like a progression system, push along whether you are ready for it or not. I think in the smaller school systems you have more coaching, guiding and helping the student get along rather than pushing the student along. It is almost to the point where when you get out it is your problem and not the system that allowed you to get out. I think that is where we see a big difference.

We make every attempt to have our management people like Mr. Robinson participate on school boards, and we welcome the interface with school systems. But as I say, in larger school systems it becomes more difficult to make any kind of penetration.

Ms. **Futrell**. You raised two points which I would like to address.

You ask who should initiate the effort for business and the schools to work together. I do not think that we have to wait for one another to do that. If we decided to do it, hopefully businesses will be responsive; if they do it, we should be responsive.

Just to give you an example. Within the last 2 months I have contacted three national—perhaps international—corporations to work with us, to try to help us on the issue of linkage between the economy and education. I will not name those three.

One responded very positively: Yes, we will be very happy to sit down and meet with you and work with you.

The response of another was we are not interested. Yet the leader of that organization has been very critical of education.

The third corporation has not responded yet.

So we are trying to initiate an opportunity for the education community and the business community to work together, and that is the response we have gotten so far. That is not necessarily typical, but that is just one example.

You talked about not necessarily having to stay abreast of industry in order to prepare young people to succeed in the world of work and the world of life. I would be in agreement with you that all young people must master the basics, but I believe we must go beyond simply teaching young people basics. Obviously we have to do a better job there, but we must also move into the thinking skills, analytical skills, et cetera; and how to work together.

Representative **McMillan**. Excuse me just a minute. I consider that basic.

Ms. **Futrell**. We agree then. We also need to make sure that we have within our schools the equipment and the supplies necessary so that when the children learn they are learning at the most current level.

Allow me to give you a couple of examples. I visited a school not too far from here. I walked into the school and I was talking to the children. These were the top students in the school. And they started complaining. I thought they were complaining about the teachers, and they said, very quickly, oh, no, we are not complaining about the teachers. The teachers are trying to do a good job. Our concern is we are in the advanced placement program in the school. We are supposed to learn chemistry and physics, and yet we do not have any equipment. We will be expected to go to college and compete with young people who have had laboratories where they can experiment. All we have had is a textbook, and the textbook is at least 10 or 15 years old.

I go into schools where technology is in use. If it is an affluent school district the technology is used for enrichment purposes. If it is an inner city or a poor school district it is used primarily for remediation. At the same time we know that we have children coming into the schools who have access to technology in their homes. They are extremely knowledgeable about how to use it, they understand it, and they are working in a school where some kids have never seen it, and they were working with teachers who have not had the training.

So I think that we need to have the state of the art equipment; we need to have those up-to-date textbooks; we need to have all of the things that will help us help young people get the best education possible.

Representative **McMillan**. Do I have time for one more quick question?

Representative **Hawkins**. Sure.

Representative **McMillan**. There are two representatives here from industry. Both of you are—maybe I should not use this phrase—"multinational corporations"; you operate worldwide. I think that increasingly is what we are faced with. It's the pattern of the future.

Do you find the situation in other countries in which you operate decidedly different? Is the United States worse in terms of what it is turning out as the general sample of the candidates for employment that are coming out of their school systems?

Mr. **Braun**. I will start off on that one. We do operate around the world and we do see quite a diversification of the level of skills coming into the work force. In the Far East, Japan for example, the students coming into the work force are more highly educated for the industrial environment than the equivalent coming out of a U.S. school.

We operate in Korea. The Koreans tend to place more emphasis on some of the basics as far as students getting out of their secondary schools than what we would find in the United States.

However, there are some excellent examples in the United States where some of the secondary school systems are doing a very credible job.

So it is not universal. It is not an indictment on the school system in general. Specifically, I think we have some serious problems in our larger school systems.

Representative **McMillan**. Do you operate in Western Europe?

Mr. **Braun**. Yes. We find that their school system tends to be one that trains employees coming into the work force to a high degree, preparing them for an industrial work assignment.

Representative **McMillan**. Well, their secondary school system has forced the child into a choice at a very early age as to whether they are going to pursue a technical job oriented education program or a general strong basic program. Do you have a different perception of that?

Mr. **Savoie**. No. I think one of the things that has occurred is that there is a change in the nature of work that really has not been caught up in the school systems. I think Ms. Futrell is correct in saying that many of the teachers are teaching things that they learned 20 or 25 years ago. You still teach economics 101 the way you learned it, and the world has changed. Even in the most simple forms of work configuration and the machine systems and the plants that have changed.

In Germany they probably do a better job in the basic school systems and in their remediation because they have programs, where throughout a lifetime there is a form of education. We are in a form of lifelong learning which is absolutely critical.

I would say in England that perhaps their system is beginning to see many of the difficulties that we are, due in many cases in their big cities to a large number of unemployed, a large number of dropouts, people coming into the systems who are not being integrated. We see that England is wrestling with very much the same type of problem despite the fact that young people are supposed to make an early choice. The early choice is now in many cases not to get to school or to get out of the social system much earlier.

Interestingly, in some of the developing countries, even in South America and Mexico, we have never had a problem in attracting people to our plants who are not trainable. That is an interesting phenomenon. That may well be simply because work opportunities are so much fewer that the crop that comes in is willing to be trained as opposed to a general situation. I am not sure that is generalizable.

I think there is one other thing of interest that we are doing. We are trying to get the best out of our global capacities, including educational systems. We have set up a worldwide engineering release system in which we have combined the engineering systems of seven countries and seven cultures. It took 3 years to do that. A tremendous project, probably bigger even than what the military has undertaken, where we now through satellities and computer based training have trained 40,000 engineering-related people.

I bring that up because that is going to be the thing of the future, even in the service occupations. Accounting will be able to be done in Taiwan. I read someplace where credit cards are being processed in other countries. So we as Americans have to race much faster and much farther than we are aware of.

Representative **Hawkins**. If the gentleman would yield. There is a danger, it seems to me, however, in comparing centralized educational systems with a decentralized system in this country. Are we willing to give up some of the decentralization? Are we willing to strengthen the Department of Education to assume a much stronger leadership role? If we want to answer that question, then maybe we can begin to compare what is happening in other countries with what is happening here.

I just simply wanted to throw that out as a matter of caution. Because that is precisely what we are doing. Trying to abolish the Department of Education, as we seem hellbent on doing, will obviously increase the problems that we are now discussing.

Mr. **Savoie**. I think you bring up a very good point that we as a society have to debate and have to consider. It could very well be that what we mean by the restructuring of the American educational systems involves exactly what is the role of the local schools, what are their interrelationships, where do we get the expertise in a new information society. Can we afford as a society to let it all be purely local?

I don't know what the answers are, but you raise a very fair question.

Representative **Hawkins**. I am not suggesting the answer. That is why we have these expert witnesses.

Ms. **Futrell**. It is a good question to ask, because a lot of people are of the impression that we are the only ones suffering problems. As I said, we just had a conference this weekend. We had representatives from Scotland, from Japan, from Zimbabwe, from Sweden. They are all suffering problems and they are all trying to change the school system.

I think the point that the chairman makes is a very good one. We are comparing a highly decentralized system with systems which are highly centralized. However, I think that if you look at some of the trends which we have been following over the last several years, we are probably moving closer to a national system than I ever thought we would get. People are not really talking about the national curriculum, the national standards, but I think we are moving closer to that than a lot of people would like to admit.

Representative **McMillan**. In conclusion, I would like to lean a little bit on Mr. Braun's comment. There is a possibility that you can overstructure. He made the point that perhaps the most responsive systems tend to be the smaller ones, that are less burdened with overhead, so to speak. I think that is something we need to keep in mind, that we don't impose more overhead without really getting to the bottom of the problem. Thank you very much.

Representative **Hawkins**. Congressman Fish.

Representative **Fish**. Thank you, Mr. Chairman. Ms. Futrell, we have met before in the Joint Economic Committee hearings, recently a series of them on education in the work force chaired by Congressman James Scheuer from my State of New York. I want to say at the outset that I agree completely with your statements on the importance of public education.

I would like to attempt very briefly to state my understanding of the thrust of your remarks and have you just indicate whether I am right or not.

Your statistics on the failure of the educational system are very upsetting. This is from your prepared statement. I gather that 30 percent of the educationally disadvantaged are the same as the bottom one-third you describe as unprepared for education. You list a myraid of reasons for this that really relate to poverty, to a lack of family structure and to health needs, which I would characterize as nonschool responsibilities. Your prescription is early and sustained intervention and child care.

Is that a correct statement or summary? On the next page of your prepared statement, after giving us this story, you say that the number of children in need of special assistance is projected to increase dramatically in the next few decades.

Ms. **Futrell**. Yes.

Representative **Fish**. Can you tell me why? Is there no hope for reversing this trend? What are the forces that are requiring this to get worse?

Ms. **Futrell**. The demographics projected for the year 2000 and beyond indicate to us that the number of children at risk will increase dramatically. Generally when we describe children at risk we are talking about minority children, children who are poor, children who have linguistic problems, social problems, et cetera.

Right now the minority student enrollment is probably at about 18 percent. That is projected to increase to 35 percent. The number of children living in poverty in the 1980's is around 30 or maybe 35 percent. It is projected that by the turn of the century unless things change over 50 percent of the children of school age coming into the schools will be children living in poverty.

We are projecting that by the turn of the century, by the time that child reaches 18, 90 percent will have lived in a single parent household at some time or another.

We are looking at the fact that we will receive more children from other countries who do not speak English as a first language; as well as looking at the fact, as Ms. Barrett stated, of employment of women and the low salaries which women are receiving, the feminization of poverty, meaning that again more children will be living in poverty.

So as we talk about divorce, we talk about poverty, minorities, those who do not speak English as a first language, we can talk about the teenage mothers. One of the things that we are very concerned about is that as we have more teenagers having babies the parenting skills are not there. As those parenting skills falter or cease to exist, the young people coming into the schools do not have the support system which they need in order to be successful in school because they are being raised by children. You have children coming into the first grade or second grade, and many times the mothers are 17 or 18 or 19 years old. So they are themselves being raised by children.

We look at the numbers dropping out, or on the verge of dropping out. Those numbers are going to increase unless we do something about the problem, the increased drug problems we are having, the alcohol problems.

The schools are receiving higher and higher numbers of these young people. I believe very strongly that the only way we are going to turn the situation around is for the families and the communities to work very closely with the schools.

When I say families, I think I should define families as not simply being a mother and a father, but the people who are related to those children, the people in those neighborhoods working to help us catch those young children at a very early age to try to provide them with a better source of support.

That is why we are supporting the early childhood education programs, and day care programs. We advocate more programs regarding parental involvement, understanding full well that we only have about 25 percent of the parents who are involved in the schools; 75 percent are not.

The position we are taking is that we cannot allow that to be an excuse. Whether the parents are involved or not, we must do a better job of educating these young people and "rescuing" them. It is going to take a concerted effort on the part of local communities, States, and the National Government to help us reverse the trend, or at least help us create more policies which will help young people.

I know that is a very bleak picture. It is not indicative of all the children, but a growing number of the children.

Representative FISH. I did not take it as bleak at all. If I understood you correctly, the demographics that are the basis of the statement I asked you to elaborate on, the projected increase in children at risk, was based on a fairly static situation of projecting what is going on today. If I understood your response correctly, this can be turned around.

Ms. FUTRELL. I believe it can.

Representative FISH. Through sustained and early intervention, working together, families and school officials; that this is not something preordained; that it can be reversed with appropriate policies on the part of government as well.

Ms. FUTRELL. I think through appropriate policies, changes in attitudes, a strong message to the American people that we have a responsibility to try to do more for the young people we can turn the situation around. We have borrowed from our children and we must give back to them, but we must give to them in a much more wholesome way than we do now.

It is the responsibility of all of us as adults to reach out and help these young people.

If Mr. Savoie and Mr. Braun think things are bad now, unless we intervene things will be much worse in the future.

Representative FISH. If I can change the subject to the curriculum, I just want to explore some of your thinking on this.

On the first page of your prepared statement, you say education institutions must place the greatest emphasis on basic literacy and numeracy, which to me means reading, writing, and arithmetic; critical thinking skills, which is gained from the study of literature and science and math; and the education of discovery, which, of course, I guess is the essential ingredient of all education.

However, further on, in your prepared statement, you are somewhat critical of the type of education I enjoyed. At the bottom of the page you refer to choices that drag them, the students, indifferently through a limited scope of purely western, purely classical texts.

I think I know what you are talking about. You can have some students who are not going to go on to higher education and so forth. Yet what concerns me there is that I think the education that you are critical of there is the education that does lead to thinking people.

Second, it is the literature and the history of the values that we have as a nation. I think that is awfully important. While I understand that some people who are not going to pursue beyond secondary education need courses that are going to help them get right into the work force, I would really hope as we progress and do better that you will find more and more who will be taking some higher education, more than are today. I wonder if you have a comment?

Ms. **Futrell**. I will be very happy to respond. I think that the definition we use regarding the basics has to be expanded to include more than reading, writing, and arithmetic. I, for one, believe very strongly we should teach computer literacy in the early grades. I think we should teach foreign languages; we should place more emphasis on the arts and music in the early grades; give our young people, especially grades K (kindergarten) through eight, a much stronger foundation so that when they move into the junior and senior high schools they can be much more successful in their academic pursuits. Not just some children, but all children.

I often use myself as an example. I think you know a little bit about my background. I am very grateful that the schools I attended did not say to me, "because you are a poor minority you should get this kind of education," but that all of us were given a very broad and a very strong liberal arts or general background so that as we moved through high school and through college we were able to succeed.

I don't mean to disparage the Western classical texts, because they were very important in my education, just as you say they were in yours. But what we have to do is look at how we make those studies more relevant to what we are experiencing today. How do we expand those studies to teach more about the pluralistic society in which we live, teach more about women, about Hispanics, about blacks, about the first Americans, along with the Western texts which are used, and relate what we are teaching from a historical point to what we are addressing today as well as what we will address in the future.

If you look at Socrates, many of the things which occurred during his lifetime are very relevant to what we are experiencing in current politics and current history. We can show the relationship. Many of the ideas are not new.

That is what I am trying to say. When we talk about dragging them through we make it appear as though these are the only things we should be teaching and we have to teach it in the same way. Why not relate it to what is happening today and what might happen in the future, and why not expand it to more accurately reflect what our society looks like today?

So it would be broadening the curriculum rather than narrowing the curriculum, but making it more rigorous and making it more relevant.

Representative **Fish**. I thank you very much for that statement. All I kept thinking of as I listened to you is that you might have to rethink your position on lengthening the day in school with all that we are adding on.

Ms. **Futrell**. We are in the process of rethinking all of that.

Representative **Fish**. Mr. Braun, I have been discussing here with Ms. Futrell that disadvantaged group, that bottom one-third of our student body. I would like to direct a couple of questions to you.

One reason that has been cited for literacy problems in the work force is the poverty among school children. This, of course, is a serious problem we have just been discussing.

My question to you is, are you as a businessman finding that middle class youngsters are coming out of school and seeking employment opportunities with you, who are also deficient in basic skills?

Mr. **Braun**. Yes. I do not think it is just limited to the underprivileged work force. For example, this cite in the text of our prepared statement, talking about the Arlington Heights, IL, factory. We decided that we had to do something fundamentally different to compete against global competition. We found that the work force that we normally had been using, which was very narrow in skill, we are asking them now to take on a broader roll in the assembly process. We found that they were deficient in some of the basics, in mathematics, the comprehension to be able to read written instructions and be able then to articulate in a team environment to help out improving on the process.

So it is not limited to the people that maybe are considered to be minorities. I think we have a generic problem with the people coming out of school today and who have been coming out of the school for the last 5 to 10 years.

Representative **Fish**. Thank you. You talked about the efforts in retraining your work force. I think we all understand now that this is going to be a constant issue before industry for the next several decades.

What proportion of your efforts is devoted to updating an employee's specific job skills and what proportion is devoted to teaching basic things, like math and reading comprehension?

Mr. **Braun**. That will tend to vary by plant location, depending on the level of people's skills. But on a corporate level, I would say right now that we are looking at 60 percent of the dollars that we spend are really on remedial type of training to get people skilled to where they can now accept the higher level of education necessary to be competitive in today's work force.

I think the issue of being computer literate is a real issue. In the factories of the year 2000 the information flow will be via computer terminals. There will be very few opportunities to have paper flow in an operation. Your information will be on a computer terminal and via computers, and you will have to be able to communicate your messages into the system via the terminal.

Right now we have got a lot of catching up to do to prepare us even to be operating in the factories of today let alone talking about factories of the future.

Representative **Fish**. With the chairman's indulgence I will ask one more question.

Representative **Hawkins**. Go ahead.

Representative **Fish**. Thank you. Ms. Futrell, if we could return to you. In your prepared statement, you talk about the accountability issue and the importance of accountability to ensure effective teaching methods. However, you say that you do not think that accountability equates with a pencil and paper test. How should we measure the performance of teachers and the performance of schools?

Ms. FUTRELL. First of all, as a teacher I believe that paper and pencil tests have a role to play in education. I have used them throughout my career. But that is not the only way to assess whether or not students are measuring up.

When I assigned grades, I also included things like completion of homework, class participation. Were students able to articulate responses or participate in the discussions which were taking place in the classroom?

So there were many different ways of assessing whether or not children were actually learning. I believe that a variety of strategies not only helped me do a better job of assessing, but also gave me deeper insight regarding whether the children had really learned or had mastered what was being taught in the classroom.

I believe there is no paper or pencil tests which will assess whether or not teachers can actually teach. The assessment of the competency of skills should be determined before the teacher graduates from college, before he or she is certified. That is when you determine competency as it relates to are you literate, do you know your subject matter, do you understand the pedagogical skills?

Once the teacher enters the classroom, we believe very strongly that the best way to assess whether or not that teacher is performing at the level expected by the school district is through onsite evaluations.

That means you must have trained evaluators; a clearly defined evaluation system; programs to provide assistance for teachers who need help. After you have gone through that process, if you find that there are teachers who are not measuring up, and you have tried to help them and they either cannot improve or they will not, then you begin dismissal procedures, yet protecting the due process rights of those teachers.

The best way to determine whether or not teachers are measuring up is to go into the classroom and to spend some time. Not 10 minutes, not 15 minutes, but at least an hour or a half a day. You watch the way that teacher relates to the students. Is the teacher prepared? Does he or she know the subject matter? How is the classroom organized? You can assess those traits only if you are actually in the classroom.

Representative FISH. Thank you very much.

Ms. FUTRELL. You are welcome.

Representative FISH. Thank you, Mr. Chairman.

Representative HAWKINS. Ms. Barrett, in order that we not overlook women and the role that they can play, let me ask you this. We have talked about the cost of education. You spoke to the question of women and welfare reform and also child care.

Would you conclude that if we were able to get more women on welfare with children into the labor force and make a productive citizen out of them, that this would return a substantial amount to the economy that we are now wasting on welfare and retarding the entrance of women into the labor force, as we sometimes seem to be doing?

Ms. **Barrett**. Yes, Mr. Chairman. I found it quite interesting to hear the various education experts talk about the fact that many of the problems that they face seem to be rooted in what they refer to as other societal problems. It seems to me that the problem is not so much that women's roles have changed, but rather that our labor market institutions and some of our laws and social support systems have not quite come to grips with that. One result has been a growth of female headed households and a labor market situation that really is not conducive to success for these people.

So the children are confused regarding what are appropriate role models. And families, because women who head them are not able to find jobs that pay enough to bring them out of poverty, and really do not have any other good alternatives. Full-time homemaking and even the welfare system is not a good alternative.

We find ourselves in a situation in which families lack both economic resources, which are terribly important, and the sociological cement that they need to have to be able to deal with economic deprivation.

I have said in many other settings that the problem of poverty in female headed families has a racial context in that the probability that a minority child will be born into a female headed family is so much greater than a white child. Thus, you are starting these children out at a very, very early age with different degrees of deprivation. That racial poverty gap is growing. Yet we try to remediate this problem in school systems after, and I do not want to say all the damage has been done, but after a great deal of the damage has been done.

As I say, it is not only the economic situation but that sort of sociological glue that is not there anymore. I really believe very strongly that some of these issues that I raised regarding a national commitment to equal or at least to better economic opportunities for women simply has to be put on the front burner. We cannot deal with this on a case-by-case basis with litigation through the court systems.

I urge you very much as you are having these hearings to be able to see that so much of this is coming together with perhaps a single rather large policy agenda relating to this problem.

Representative **Hawkins**. Thank you, Ms. Barrett.

Again, may I thank the witnesses. You have certainly advanced these hearings quite substantially and we are deeply appreciative. To use a little slang, I think you have made our day. We certainly appreciate it. Thank you.

[Whereupon, at 11:35 a.m., the subcommittee recessed, to reconvene at 9:30 a.m., Monday, April 18, 1988.]

[The following information was subsequently supplied for the record:]

STATEMENT OF
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
SUBMITTED TO THE
JOINT ECONOMIC COMMITTEE
SUBCOMMITTEE ON INVESTMENT, JOBS, AND PRICES
ON
EMPLOYMENT IN THE YEAR 2000: A CANDID LOOK AT OUR FUTURE

APRIL 21, 1988

AGC IS:

- MORE THAN 32,500 FIRMS INCLUDING 8,000 OF AMERICA'S LEADING GENERAL CONTRACTING FIRMS RESPONSIBLE FOR THE EMPLOYMENT OF 3,500,000-PLUS EMPLOYEES;
- 104 CHAPTERS NATIONWIDE;
- MORE THAN 80% OF AMERICA'S CONTRACT CONSTRUCTION OF COMMERCIAL BUILDINGS, HIGHWAYS, INDUSTRIAL AND MUNICIPAL-UTILITIES FACILITIES.

The following comments reflect AGC's concerns on the predicted shortages of qualified individuals available to the construction industry in the future.

BACKGROUND

A recent study by the U.S. Department of Labor projecting economic growth trends to the year 2000 has concluded that construction will rank third among industries in generating new wage and salary jobs. New and repair construction will create 890,000 new jobs between 1986 and 2000, with only the restaurant and health care industries generating more new employment. As many as 1,713,000 jobs could be created in construction if the industry's growth is faster than expected.

These economic growth projections use the Wharton Long-Term Model of the U.S. Economy to project manpower needs by the year 2000. The model projects economic growth by industry for three scenarios: low, moderate, and high.

In 1986, 4,904,000 wage and salary workers were employed in construction. By the year 2000, 5,643,000 workers will be needed in the low growth scenario (an increase of 739,000), 5,794,000 will be employed in the moderate growth scenario (an increase of 890,000), and 6,077,000 will be employed in the high growth scenario (an increase of 1,173,000).

In the moderate growth scenario, the real value of new and maintenance construction is projected to grow by 1.4 percent a year between 1986 and 2000, slightly faster than historical trends. Nonresidential construction is expected to be one of the faster growing sectors, with an average annual growth rate of two percent from 1986 to 2000.

The fastest growing needs are seen for drywall installers and finishers, with a 30 percent growth in jobs forecast under high growth, and 24 percent if growth is moderate. Insulation workers, concrete and terrazzo finishers, and structural and reinforcing metal workers are also trades which will have the fastest growing manpower needs.

In actual jobs, employment for carpenters is expected to grow the most--an increase of 182,000 jobs in the moderate case. The construction industry will need 89,000 electricians by the year 2000, more than offsetting the expected decline in jobs for electricians in manufacturing industries.

The construction industry has contributed significantly to the continuation of the current economic recovery and the creation of new jobs. From the fourth quarter of 1986 to the second quarter of 1987, 66,000 new jobs (all trades) were generated in the construction industry. Continued growth, and the ability of the construction industry to meet the forecasted demand for new construction, will depend on the availability of skilled labor to fill these new jobs.

Increased demand for construction industry manpower is only part of the problem. The other future concern involves the composition of the available work force. In the 1990's we will see fewer young people ages 16-24 in the job market because there will be fewer of them, with most attracted to white collar jobs.

In 1950, 32% of the total labor force was female, while that percentage increased to 47% in 1985. In 1990, we will see that approximately 50% of the labor force will be female. By 1995, the black labor force will grow almost twice as fast as the white labor force.

The foregoing trends are complicated by the continuing threat of basic skill deficiencies in reading, writing, basic math and language, which are evident in today's workforce.

AGC believes that the future supply of skilled workers available to the construction industry will be inadequate unless specific steps are taken to correct those factors which can be influenced.

AGC'S APPROACH

In the past, meeting skilled manpower needs in the construction industry was a function of joint apprenticeship and training systems. AGC participates on the National Joint Apprenticeship and Training Committees for bricklayers, carpenters, cement masons, and operating engineers, and on counterpart committees at the local level. Those National Training committees establish training standards and recommend development of training materials for use by local joint apprenticeship and training programs.

AGC representatives also serve as trustees on two national joint training funds, the National Joint Trust Fund to Promote Training in the Cement Masonry, Asphalt, and Composition Trade, and the Laborers-AGC. Laborers-AGC is extremely active, with 66 local funds currently participating in the national program.

AGC is also represented on the Federal Committee on Apprenticeship, which advises the Secretary of Labor on apprenticeship and training policy.

Joint apprenticeship still has a major role to play. However, the tremendous growth in open shop construction, changing manpower availability, and demographics, have required AGC to implement and consider several other training alternatives.

AGC has recognized and acted on the need to increase open shop craft training. In 1981, AGC obtained Bureau of Apprenticeship and Training recognition for the "AGC Model for Unilateral Trainee Program Standards." The model provides a necessary vehicle for open shop contractors and chapters that need to register their training programs for use on federal- and state-funded projects. AGC is also seeking Department of Labor establishment of equal treatment for registration of competency-based unilateral training programs.

In addition, AGC has recently issued a publication entitled "Open Shop Training--How to Establish and Administer an Open Shop Training Program." This publication represents the most comprehensive open shop training manual available in the construction industry. The publication, together with the recently published "AGC Guide to Worker Registry Systems," establishes a foundation for effective training and recruitment of workers in the open shop sector.

There are currently 68 individual open shop craft programs being operated by 24 AGC chapters.

The most timely focus of AGC's training efforts has been the recognition that vocational education can play a major role in the development of skilled labor for the construction industry.

Vocational education had been largely overlooked as a construction industry training resource. Contractors were unaware of and unconcerned about the content of instruction in their local schools and assumed that they had little to gain by investing other than their tax dollars in the local high school or community college. School administrators and instructors were equally reluctant to risk having their authority reduced by the industries for whom they were preparing their students. Gradually industry and education are realizing that the benefits of each system can be effectively coordinated to their mutual benefit.

AGC AND VOCATIONAL EDUCATION 1970'S AND 1980'S

In The Unfinished Agenda, a 1984 examination of our vocational education system, the National Commission on Secondary Vocational Education concluded:

> "We make two straightforward recommendations about expanding the critical role of business, labor, and the community in vocational education.
>
> o Schools must involve business, labor and the community in such vital areas as teacher development, curriculum update and evaluation, career education, and student employability.
>
> o Business and labor must seek out opportunities to work with schools to improve what goes on in the classroom."

In 1973, AGC's Manpower and Training Committee saw vocational education as a possible source of manpower for the construction industry. A major problem at that time was the lack of quality training materials that reflected AGC's modular, competency-based philosophy of craft training. AGC began to address this problem in 1974 when the original Commercial Carpentry Curriculum was published jointly by AGC and the Curriculum and Instructional Materials Center (CIMC) of the Oklahoma State Department of Vocational and Technical Education. Since then AGC and CIMC have produced Bricklaying, Cement Masonry, Construction Craftsman, Millwright, Heavy Equipment Operator, Heavy Equipment Mechanic, Industrial Mechanical Maintenance, and Introduction to Construction curricula.

The AGC/CIMC material is unique in the construction industry. It incorporates the proven learning advantages of a modular, competency-based system. The material also benefits from contractor involvement in the actual curriculum development process.

This curriculum development partnership helped to break down many of the barriers that had traditionally separated education and the construction industry. These competency-based instructional systems have become the accepted standard for training materials within vocational education and widely utilized in industry training programs. As an outgrowth of the highly successful curriculum development collaboration, AGC's interest in vocational education expanded, as did education's interest in the association. This led to the establishment of the AGC/State Directors of Vocational Education Joint Committee. The committee developed a plan to refocus the direction of vocational education programs in construction craft training areas.

A primary objective of the joint committee was the development of a program to give construction industry recognition to craft training programs that meet training standards established by AGC. AGC's Vocational Education Recognition Program provides a method by which AGC chapters can communicate training needs to local vocational programs, and recognize programs that are responsive to those needs. Built into the program is a vehicle to help vocational programs overcome training deficiencies so that, with industry support, they may work toward attainment of recognition. Students graduating from recognized programs receive verification cards and the programs are awarded recognition plaques.

AGC annually selects an outstanding vocational education instructor, who receives a financial award and is a guest at the association's convention. This AGC Award Program encourages instructors to upgrade their skills and develop working relationships with local AGC contractors in order to ensure program quality.

AGC VOCATIONAL EDUCATION - 1990'S

The by-products of AGC-vocational education cooperation are just becoming visible. Several states have adopted AGC curricula as their standard and contractors are beginning to see better trained workers applying for jobs. Community colleges and area vocational centers are communicating with their local AGC chapters; in many cases, vocational and industry programs are being coordinated and jointly developed in order to make craft training programs more responsive to the needs of the constantly changing construction industry. Other AGC innovative efforts include:

New Training Technology. Production of an experimental videotape for form carpentry is being completed and AGC is considering plans to expand the use of videotape for journeyman upgrading and on-site inspection.

Competency Testing. AGC is participating in the development of the Oklahoma State Department of Vocational and Technical Education Competency Testing System. Competency tests for residential and commercial carpentry have been developed and are being reviewed and validated. Development of tests for each construction craft, as the Oklahoma Competency Testing System is expanded and refined, is planned.

Validated competency testing can help maximize the efficiency of a competency-based training system, and enhance training transportability and linkages between programs.

MEETING THE CHALLENGE

The AGC strategy, which incorporates curriculum development, vocational education; and joint and unilateral training is the most comprehensive approach to meeting skilled manpower needs available to the construction industry.

AGC is proud of its involvements in industry programs, vocational education, and linkages between the two. They are all moving in the same positive direction through the utilization of competency-based training and industry established standards. In contrast to our progress in these areas, AGC members are apprehensive about the anticipated problems relating to demographics, basic skill deficiencies, and overall shortages in the availability of an adequate number of individuals. Solutions to these problems must involve establishment of responsible public policy.

AGC has undertaken these programs in the belief that industry should have a commitment to train its workforce with the academic preparation of our nation's young people being the responsibility of the schools. The construction industry is utilizing every available opportunity to assist the educational community in implementing industry standards. However, the industry can only accept qualified candidates into industry training programs, meaning those individuals who possess the academic skills to become successful members of the workforce. Absent the basic math, language and comprehension skills necessary to understand and transmit directions and safety procedures, there is little likelihood that individuals will become successful in the workplace, regardless of the specific industry.

If projected demographics are correct, American industry cannot afford to lose a single future worker due to circumstances that are avoidable today. Candidates for construction industry training programs must be delivered in full possession of critical basic academic skills to ensure success in the workplace and society.

Beyond the question of basic qualifications are career considerations which need to be addressed. There needs to be a more practical approach to career exploration in public education. Students in general and women in particular need to receive the message that many of the best career opportunities are in non-traditional occupations such as construction.

AGC fully intends to expand its already considerable efforts in this area. However, the educational community needs to modify its programs to address strong societal barriers to career exploration in non-traditional areas, particularly among females.

AGC appreciates the opportunity to contribute to the discussion of this very important issue and welcomes the opportunity to participate in any further activities in this area.

EMPLOYMENT IN THE YEAR 2000: A CANDID LOOK AT OUR FUTURE

MONDAY, APRIL 18, 1988

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON INVESTMENT, JOBS, AND PRICES
OF THE JOINT ECONOMIC COMMITTEE,
Washington, DC.

The subcommittee met, pursuant to recess, at 9:35 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Present: Representative Hawkins.

Also present: William Harrison, professional staff member.

OPENING STATEMENT OF REPRESENTATIVE HAWKINS, CHAIRMAN

Representative HAWKINS. The Subcommittee on Investment, Jobs, and Prices of the Joint Economic Committee will come to order.

This is the third in a series of hearings on the topic of employment in the year 2000. This morning we would ask the panel to focus on the strengths and shortcomings of current education, employment, and training policy.

I think it is clear, obviously, that between now and the end of the century new technology, international competition, changes in consumer tastes, and demographic shifts will cause some basic mismatches in training, workplace needs, and the workplace capabilities.

Our society cannot afford large segments of the population to be chronically unemployed or that there is no hope for the future. We cannot tolerate huge numbers of these workers to be unemployed or underemployed for long periods of time.

Moreover, we cannot ignore the needs of public and private institutions to assure national capability for providing our workplace with new skills.

This morning we are very pleased to have a number of distinguished witnesses who have agreed to testify before this subcommittee.

We have asked the witnesses to give us their prepared statements and, during the testimony, to summarize from the statements so as to leave time for questioning.

I would ask that the witnesses in the order in which we call their names will be seated at the table, beginning with Hon. Donald M. Fraser, mayor of Minneapolis, MN; Mr. Ronald Mincy, visiting scholar of the Urban Institute; Ms. Mildred D. Henry, associate professor, School of Education, Cal State University at San Bernardino, and president of Provisional Educational Services, Inc.; Mr. Raul Yzaguirre, president, National Council of La Raza; and Mr. John T. Denning, president of the American Association of Retired Persons.

May I welcome the witnesses with that short introduction. I would like to single out a very distinguished former colleague, Hon. Donald M. Fraser, for appearing before the subcommittee. We had some misgiving, Donald, about your leaving us. We certainly could use you these days. But it is a delight to welcome you back. With that brief personal reference, we will begin the hearing this morning with your testimony.

STATEMENT OF HON. DONALD M. FRASER, MAYOR, CITY OF MINNEAPOLIS, MN

Mr. **Fraser**. Thank you very much, Mr. Chairman. I welcome the opportunity to appear in the House on a subject as important as this. The subject of human resource development is my top priority as mayor of my city.

Mr. Chairman, my statement is fairly brief. I am going to try to get through in 10 minutes. I have some attachments which I hope will be a part of the record.

Minneapolis, is a city of 360,000 and with St. Paul, is at the center of a metropolitan region of 2 million. Our economy has been good. We have a diversity of enterprises, and our unemployment rate varies from 4 to 5 percent.

We have spent a lot of time working on unemployment in our city. For us the problem is not a lack of job opportunities. The problem is one of employability. We begin by focusing on the problem of the adult hard-to-employ and have gradually worked our way down the age scale until now our first priority centers on the first few years of life. We have concluded that there must be a continuum of support for youth in order to produce productive adults. I have attached a drawing which depicts the continuum.

We have not appreciated the consequences of the changing nature of our economy, the changing roles of women, and the changing structure of families as they have impacted upon children. The problem for too many of our citizens begins with the family at a very early age, and efforts to help later on confront the consequences of those early years.

For too many of our children the resulting deprivation has meant a poverty of nurturing as well as poverty in the household. The continued emphasis on economic poverty as the cause of these problems has obscured the reality that too often the poverty is the outcome of families which function poorly and which give the child too little of the support which the child will need to become a successful adult.

That an increasing number of kids are not growing up okay in our cities is reflected in the crime rates, drug use, school dropout, teen pregnancies and teen parents, and chronic unemployment or underemployment. It is reflected in the growing numbers of single-parent families and the growth in poverty and then the impact of that poverty upon neighborhoods and the public treasury.

In two of our neighborhoods, for every three children born, two are out of wedlock. Roughly half of the applicants for welfare assistance this month in Hennepin County—with Minneapolis being a third of the county—will be occasioned by the birth of a child out of wedlock.

Our health department estimates that between 20 and 30 percent of the 6,500 kids born each year in Minneapolis are at risk the day they are born, at risk because their parent is a teenager who lacks parenting skills, at risk because the family is into drugs, at risk because the mother had inadequate prenatal care, at risk because the mother is socially isolated or hopeless and depressed, and so on. That is about 1,500 kids a year, many of whom will be candidates for failure by the time they arrive at school at age 5.

At the city level we have to deal with kids not growing up okay, so we add to the police force, the schools add programs, the welfare department adds case workers, and so on. So, as city officials, we have a strong interest in what is happening.

The Minneapolis Youth Coordinating Board is involved in setting some long-term planning goals for this community as it relates to children. In the preliminary report of this planning they are recommending that every eligible child go through a Head Start program. As everyone here knows, researchers who have tracked these kids tell us that the value of Head Start can be measured by significantly better outcomes for these kids. They are roughly half as likely to get pregnant, drop out, or get into crime compared to at-risk kids who had no Head Start program.

This makes sense if the results are as dramatic as the research indicates. Probably at least 40 percent of the children in our city would be eligible, or about 2,600 kids a year. Our current Head Start program, which operates for all of Hennepin County, is serving about a fifth of the number who need to be served in Minneapolis. The cost of serving another 2,200 Minneapolis children would run about $6.5 million a year.

Our problems are getting more difficult to handle each year. We are making 60 percent more felony arrests today than 8 years ago. That is about 3,000 more arrests each year. The amount of drug traffic into the neighborhoods is another indication of more trouble. We now need a new jail, which will have an annual cost over the next 20 years roughly equal to the cost of Head Start for every eligible Minneapolis child.

This money for a new jail is characteristic of the efforts to cope with these growing problems. We aim at ameliorating outcomes; yet, far too little is going into prevention. What is encouraging is that more attention is now being given in our city to prevention. The United Way in Minneapolis is moving in that direction, and has formed a committee called Success By Six to look at the barriers to adequate provision of early childhood programs.

I want to share with you two major initiatives which we believe will have more to do with later employability than other steps we can take. I have attached articles which describe each.

The Minneapolis Youth Coordinating Board is moving now to begin implementation of a school readiness program called Way To

Grow. This will be an effort to coordinate and enlarge existing efforts by the school district, the county, and the health department to serve families, to assure that they are connected to needed community resources. It is built around an outreach program by aides recruited from the community and trained to work with families under the supervision of a community team which includes a public health nurse, an early childhood specialist, and a social worker.

Initially, efforts will be made to reach pregnant women to assure adequate prenatal care. The intention is also to evaluate all children for developmental progress while there is still time for remedial programs before they reach age 5. They need a strong, positive self-image.

A comprehensive effort to work with families during the preschool years needs to be one of our highest priorities. The second major priority, for me, is to see the current program of AFDC radically altered to focus more on children. As we all know, helping children also means helping the parent. But too often, the child is forgotten as lawmakers seek to find ways to move the adult off the welfare rolls.

The radical change in welfare which I am urging is to separate aid for children from aid for adults. The problem now is that help for both stops and starts at the same time. Tying aid for adults and aid to children together has been one of the major stumbling blocks in creating more sensible programs.

What I am proposing is to make available to low-income families a children's supplement which includes health care and day care, the latter on an entitlement basis, plus $125 a month for the first child and lesser amounts for additional children. This would be available based on income whether the adults in the family were working or not. Both the health care and the day care would be on a sliding-fee basis. The cash payment would phase out $1 for $2 earned as earnings went above the income threshold.

But the point here is that the adult could hold a minimum-wage job and get the full children's supplement. The net income would be nearly $3,000 a year more in our State than if the family were solely dependent upon welfare. It is clear to me, by the way, that the minimum wage needs badly to be increased.

For the adult there would be transitional aid to help tide the family over after a new child, a sudden loss of the primary wage earner's job, a divorce or desertion or during training. But the help would be transitional only while the family made plans for the future or was receiving training.

At the end of the transitional aid, the adult would be expected to work. What about the adult who says that no job can be found? What I propose is that parent-child centers be established. These would be built around day care but would be multipurpose centers for families, including opportunities for socialization, and if an adult caretaker could not find a regular job, he or she would be expected to work 5 hours a day, using the center as headquarters and placing her child in that day care center.

Part of the adult's time would be spent as an aide in the day care program and the rest doing community kinds of work or just helping at the parent-child center. That would be 25 hours a week of work which could be paid for at $4 an hour, which, combined with the children's supplement, would be above current welfare levels.

Let me cite the advantages of such a system. First, the teenager living at home who becomes a parent would qualify for the children's supplement, but that's all. If she wished to set up her own household, she would have to figure out how to earn an income.

Second, from an economic point of view, it would always be better for that family if the father stays around and contributes than if he does not. The current welfare system discourages the father from maintaining any formal continuing relationship.

Third, the adult would frequently never have to go on welfare. The adult caretaker gets help for the child, but is free to go out into the labor market under the current welfare system. To enable someone to get off welfare means training them for a better-than-minimum-wage job, an effort which succeeds with some but clearly not with many others.

Next, the caretaker adult who works in and around the parent-child center gains some experience in child-rearing and also gains some new opportunities for socializing, with a chance to strengthen their informal support network.

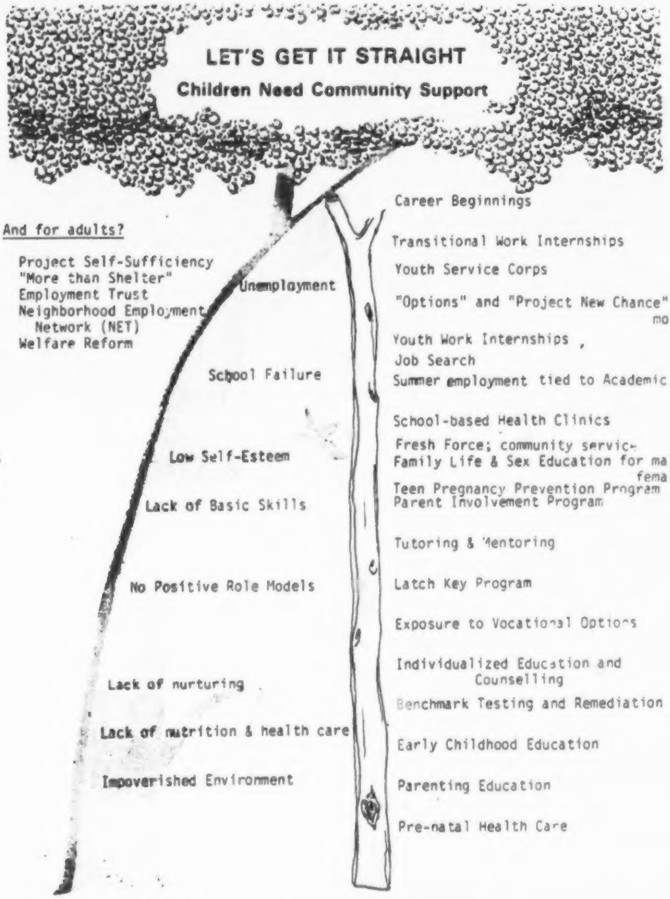
The working poor, those who are struggling to stay off welfare, get help. In some ways they are the forgotten families.

I have been talking with the Minnesota Department of Human Services about this approach. They are looking at it, along with some new approaches of their own. They have an interest in trying some new approaches to welfare as a demonstration program and will need major waivers in order to do so.

Whatever our approach to revision of welfare, however, the welfare of the children and their opportunities for development need to be of primary concern.

Thank you for the opportunity to share these ideas with you. I am convinced that building on the knowledge and understanding we have gained from past creative efforts in meeting human needs, that we can blaze some new trails in making our community work better for everybody. Thank you, Mr. Chairman.

[The attachments to Mr. Fraser's statement follow:]



LET'S GET IT STRAIGHT

Children Need Community Support

And for adults?

Project Self-Sufficiency
"More than Shelter"
Employment Trust
Neighborhood Employment Network (NET)
Welfare Reform

Unemployment

School Failure

Low Self-Esteem

Lack of Basic Skills

No Positive Role Models

Lack of nurturing

Lack of nutrition & health care

Impoverished Environment

Career Beginnings

Transitional Work Internships

Youth Service Corps

"Options" and "Project New Chance" for te mothers

Youth Work Internships

Job Search

Summer employment tied to Academic Achiev men

School-based Health Clinics

Fresh Force; community service

Family Life & Sex Education for males & females

Teen Pregnancy Prevention Program

Parent Involvement Program

Tutoring & Mentoring

Latch Key Program

Exposure to Vocational Options

Individualized Education and Counselling

Benchmark Testing and Remediation

Early Childhood Education

Parenting Education

Pre-natal Health Care

Disadvantaged Youth

Community Support

(Youth Coordinating Board)

Disadvantaged youth need community support to become healthy, productive adults.

Welfare Reform: Focusing on the Children

Donald M. Fraser

Children represent our future. They must be given full opportunity to develop into productive, self-sufficient adults. It has been apparent for some time that for many families current welfare policies have done little to improve children's prospects. In fact, many of us would argue that welfare programs have done just the opposite. I am referring primarily to Aid to Families with Dependent Children (AFDC), the program that has had the greatest impact on families and has stimulated the most controversy.

What Are We Trying to Accomplish?

In spite of widespread concern about welfare, we have not been able to make much positive change for lack of agreement on what we are trying to accomplish. A central theme is that we need to save taxpayers' money, primarily by mandating work. Although welfare was originally developed to respond to the needs of families with children, the current debate on reform centers more on adult outcomes than on outcomes for children. We need to reestablish children as the central focus of help for families. We need to improve the life chances for children.

What Are the Needs of Children?

How do we begin to design a welfare program that will meet these criteria?

The first objective of such a program must be to reduce the number of children living in poverty. Poverty is a damaging legacy for children. It too often perpetuates itself from one generation to the next. Its roots take hold during childhood. Poverty is a leading cause of putting a child "at risk" for developmental delays, child abuse, school failure, and, ultimately, unemployment and criminal delinquency. It is frightening to note that one in four children under the age of six in this country is poor and that poverty among children has risen steadily since 1970.

If children are to become self-sufficient and productive adults, they must grow up in an environment where work and productivity are valued, and they need models to follow. Therefore, any new program must include job training and placement for parents.

To thwart long-term dependency of families on government support, we must separate aid to children from aid to adults, reiterating the principle that children are rightfully dependent whereas adults are not.

Without proper nurturing and stimulation, children simply fail to thrive. When this possibility threatens, it becomes the legitimate role of government to step in and support families to ensure that adequate nurturing and development of dependent children does take place.

AFDC: Modify or Replace It?

Most welfare reform proposals to date recommend modest changes in AFDC. Progress toward even minor reform has been minimal and slow. What I am suggesting is far more radical, because AFDC, in my opinion, is fatally flawed.

AFDC is a program of contradictions. It supports families financially, but at such a minimal level that its beneficiaries remain in poverty. It was designed to provide financial aid to parents and children with unexpected needs due to divorce, desertion, death, or lack of a job by the primary breadwinner. But today, half of AFDC recipients are long-term users, many of whom look to welfare as a means of support as they acquire a family. While its goal is to support the transition to work, the limits that welfare imposes on earned income, child care, and medical care serve as disincentives to parents seeking employment. The program enables young, single mothers to live independently but fails to deal with the consequences of their social isolation and their deficiencies in parenting skills. AFDC encourages fathers to contribute to their children's support but penalizes the family for the added income.

A New Program

I propose that we replace AFDC with a new program that separates aid to children from aid to parents and establishes neighborhood parent/child centers where families can learn, socialize and work. The program would include the following provisions:

A Children's Supplement. Dependent children whose parents are income eligible would be entitled to a children's supplement. For purposes of this discussion, it might be set at $125 for the first child, $100 for the second, and $75 for each additional child. The establishment of a higher "standard of need"—$906 for a single parent with three children—would allow a parent to earn up to the equivalent of 40 hours per week at $4.00 per hour in a private sector job without penalty. When the family's income rose above the standard of need, the gradual loss in the children's supplement would be $1.00 for every $2.00 earned up to a limit of $1,500, thus maintaining the incentive to increase employment income.

The children's supplement would shift the burden of adult support from the public to the private sector and would make use of minimum wage jobs that are available in the community but pay less than is required to support a family. The supplement plus wages would lift the family's income considerably above current AFDC levels and ensure that it would always be more profitable to work than not to work.

Day Care and Health Care. Sliding-fee medical care as long as children are under the age of 18, and sliding-fee child care, including latchkey, would be provided to income-eligible families. Fee schedules would be designed to accurately reflect the family's ability to pay.

Parent/Child Centers. Parent/child centers would be established in each neighborhood to provide a number of services: child care, pre-school developmental screening, parent education, career counseling, basic education, referral to health services and to pre-school programs, and individualized case management services. Parents who are unable to obtain employment in the private sector would be guaranteed up to 25 hours a week of training or of supervised work at $4.00 per hour, either in the center itself or in the child care program.

Transitional Aid to Adults. Short-term financial help (normally six months) would be available to parents in school or job training and to parents of newborns. Long-term financial support would be the exception and would be offered only to foster children and to parents who would not be able to hold a job because they are non-English speaking, chemically dependent, or chronically dysfunctional.

Support Payments. Every effort would be made to establish paternity at the birth of a child and to obtain support payments from an absent parent through payroll deductions. So long as the family's income remained below the standard of need, such payments would augment the family's income dollar for dollar; and, when above, with a loss of $1.00 for every $2.00 gained.

The Next Step

I do not underestimate the difficulties of gaining acceptance for this new approach. In Minneapolis, we are working with the Minnesota Department of Human Services to develop a pilot project embodying some of these concepts. Entry into this pilot program would be voluntary to begin with and would become mandatory only when its success in developing client self-sufficiency and its financial viability had been documented.

This pilot project could very well be stymied by the obstacles we face, including the challenge of obtaining state and federal waivers and finding the necessary child care funds. If we do nothing, however, we will continue to pay a heavy price for government policies that institutionalize poverty, create dependency, ravage families, and too often deprive children of a decent chance to develop their potential.

When we refocus the welfare reform debate on the needs of children, then and only then will we ask the right questions, find the right answers, and create a system that works for all of us, our children, families, and the community. In the end we may not save much money, but we may save our children.

Donald M. Fraser is mayor of Minneapolis, and a member of the Advisory Commission on Intergovernmental Relations.

Executive Summary of WAY TO GROW:

A proposed plan to promote school readiness of Minneapolis children by coordinating a continuum of comprehensive, community-based services that support and assist all parents in meeting the developmental needs of their children from conception through age five.

There is a current wave of interest in early childhood issues nationwide. Both the public and private sectors have been involved in issuing a flurry of recent reports, which point to the rising numbers of children at risk for school failure and all its attendant social problems.

A related issue is also receiving national attention. This is the issue of prevention versus treatment. It is becoming increasingly apparent that school failure, juvenile delinquency, teen pregnancy, and related social problems are difficult to remedy. These problems, in turn, often lead to lifelong dependency on our systems of public support.

In 1985, the Minneapolis Community Business Employment Alliance (MCBEA) convened a task force and issued a report called *Preventing Unemployment: A Case for Early Childhood Education*. Its central conclusion was that the employability of adults is related to their school performance and overall development as children. It recommended that the Minneapolis Youth Coordinating Board develop a comprehensive plan for the delivery of early childhood services in Minneapolis. After completing a preliminary study called *Three Plus* in December 1986, the MYCB sought and received a planning grant from the McKnight Foundation to develop an early childhood school readiness plan for the city of Minneapolis.

Covering a six-month time period from mid-May to December 1987, the planning process for **Way to Grow** involved over 200 persons representing public and private agencies and organizations throughout Minneapolis and the State, as well as selected experts nationwide. That input, combined with an intensive review of research and programming in this country and others, produced **Way to Grow**.

Way to Grow combines prevention and intervention for **all** Minneapolis families of children from conception to kindergarten enrollment, with a continuum of services based on need. It supports and strengthens the existing variety of services for children and parents in Minneapolis.

5 *Way to Grow has five components:*

1. Community Linkages

which provides centralized information, referral, and service coordination for families and service providers citywide, and identifies gaps in existing services;

2. A Direct Services Continuum

as described above, which features a citywide expansion of home visits to families of newborns through trained paraprofessionals working within Minneapolis communities;

3. Public Education/Outreach

which employs comprehensive and ongoing strategies to gain the participation of all Minneapolis families and service providers in **Way to Grow**, and promotes public education to assure the healthy development of all children;

4. Education/Training

which trains the paraprofessional home visitors employed by communities to offer basic support, education, screening, and referral services to families of newborns, and also provides consultation and continuing education to service providers throughout Minneapolis; and

5. Research/Evaluation

which works toward effective implementation of **Way to Grow** and its intended outcomes of school readiness and overall healthy development of all Minneapolis children.

The Minneapolis Youth Coordinating Board would implement **Way to Grow** through a Management Board, composed of representatives from selected public and private City and State organizations, as well as members-at-large who are parents of young children. A central office with professional and support staff would carry out **Way to Grow** activities and Management Board directives.

Way to Grow aims to prevent the estimated 75 percent of mental retardation that is linked to adverse environmental conditions in early childhood. It intends to help families deliver to Minneapolis schools a generation of children who are prepared to succeed.

Representative HAWKINS. Thank you for a very interesting statement.

The next witness who has appeared since the original introduction is Mr. Ronald Mincy, visiting scholar at the Urban Institute. Mr. Mincy, I indicated to the other witnesses that we will have your prepared statement entered in the record in its entirety and we would hope that you will give us the highlights of it so that we can have some time for questioning at the end. Thank you. You may proceed.

STATEMENT OF RONALD B. MINCY, VISITING SCHOLAR, THE URBAN INSTITUTE

Mr. MINCY. Good morning, Mr. Chairman. I apologize for being late.

I first of all appreciate this opportunity to testify before you this morning. My testimony will focus on the urban underclass and its implications for a potential mismatch between the skills provided by available workers and the skills needed by employers in the year 2000. This work is basically work that I and my colleagues at the Urban Institute have been doing on the spatial concentration of social problems related to urban poverty.

We view this work as an early attempt to quantify the growing public concern about a subpopulation that imposes high costs upon itself and others, and possibly exposes our failure as a society to provide upward socioeconomic mobility for all. It presents a severe handicap to full participation in the mainstream of the American economy and society.

Further, if such a severely disadvantaged subpopulation has been growing, our Nation's prospects for economic growth between now and the year 2000 could be threatened because the fraction of jobs requiring basic mathematics and literacy and reasoning skills will increase at the same time that our labor force will mature, and experience a reduction in its growth curve.

This public concern has been fueled by a number of independent accounts by journalists and social scientists in our attempt to estimate the size, growth, and composition of the underclass. By drawing upon the common elements among these accounts, we have emphasized the coincidence and severity of handicaps. As a result, our estimates are very conservative and probably exclude many who are also ill-prepared to fill new jobs.

I just wanted to briefly outline what our concept of an underclass neighborhood is and then summarize our results about the characterization of the underclass and its growth and then talk about the implications for meeting our labor needs.

First of all, we characterize an underclass neighborhood as a neighborhood in which antisocial or dysfunctional behavior is commonplace. Examples of such behavior include illegal activity, drug abuse, dropping out of school, having a child as a teenager, being dependent on welfare, and failing to hold a steady job as an adult.

A single person can have multiple problems and for a variety of reasons, including the prevailing social problems, the neighborhoods tend to be spatially isolated from the rest of the urban community. Therefore, the individuals who reside in those neighborhoods are also isolated spatially and socially.

Our concept of an underclass neighborhood includes both people who are involved in one of these dysfunctional behaviors and others who live in the same neighborhoods who are not directly involved. We believe that the public policy concern has to extend again to both sets of people.

For example, some descriptions of the underclass emphasize that crime involves perpetrators and victims that live in the same neighborhood. As an extension of that kind of idea, we would not want to consider a child raised in an underclass neighborhood as a member of the underclass. But if the demonstration of adverse environment effects imply that the child is headed toward drug abuse, bearing children as a teenager, and when the child achieves adult status is not working regularly, then we believe that the problem needs to be defined inclusively.

Therefore, our statistical definition includes four characteristics which are indicated on the chart at the back of the prepared statement, chart 1.

This is a simultaneous occurrence in a neighborhood—this is chart 1, about two pages before the end of the statement—of teenagers who are high school dropouts; prime-age males who are not regularly attached to the labor force; households on welfare; and households headed by women.

In order for a neighborhood to meet this criterion, it has to have extremely high values on all four of those behavioral indicators simultaneously. And it is in that sense that our definition is a very restrictive one.

Nevertheless, let me just begin by summarizing the results of this underclass population. Those results are broken out on chart 2, which is the last chart in the prepared statement.

We found that in 1980 there were 880 underclass neighborhoods containing approximately 2.5 million people. That is about 1.4 percent of the U.S. population. And about 1.1 million of those people were poor. As we go down those columns in the chart, several important things are indicated.

First of all, this population is predominantly an urban population. It is concentrated primarily in cities in the northeast and the north-central region. It is predominantly minority; that is, 59 percent of the population was black in 1980 and 10 percent of the population was Hispanic in 1980.

The other characteristics of the population that I would like specifically to draw your attention to is that adults 25 years or older, 63 percent of those adults had less than a high school education; and of teenagers, 36 percent, that is, more than a third were high school dropouts.

So, I believe, again without using poverty as a definition of these neighborhoods, we find severely disadvantaged neighborhoods and a severely disadvantaged population. About 2.5 million people in 1980 may not seem to be a large number, that population grew dramatically between 1970 and 1980. We estimate that the population grew from about 750,000 people in 1970 to 2.5 million in 1983. That is a threefold increase. And given the recession that we have had between 1980 and 1984, and the continued exodus of low-skilled manufacturing jobs from the northeast and north-central regions, we have no reason to believe that this growth rate has declined dramatically in the intervening 10 years.

Let me then just summarize what the implications for this population are for our ability to meet labor force needs in the year 2000.

First of all, we will continue to experience the exodus of manufacturing jobs from the United States in general and from the cities where the underclass population is concentrated. At the same time, we will experience the slowest growth rate in the labor force since the 1930's. We will also see a maturing of the labor force; that is, between 1984 and the year 2000 the average age of the U.S. labor force is expected to increase from 34 years to 39 years.

That is significant, because as the labor force matures, older workers, mature workers, are less likely to move to accept new job opportunities than are younger workers, which implies that employers are going to have to rely increasingly on younger workers to meet the new vacancies that are created.

The other factor is the number of workers between 16 and 35 years old is expected to decline by 5 million.

The upshot of all of this is that we will have an increasing demand for workers who have sound, basic literacy, mathematics, and reasoning skills between now and the year 2000. We will have a shrinking supply and this growing underclass population represents a neglected opportunity in a period in which our Nation will need to make use of all of its available manpower.

I believe, moreover, we find that underclass neighborhoods are located near working-class minority neighborhoods as well and because of housing segregation patterns, minorities who are not members of the underclass tend to send their children to the same schools where underclass children also attend.

The importance of that is that children who live in impoverished families and go to schools in the same neighborhood tend to perform much more poorly academically than do children who go to schools where poverty is not concentrated.

So, as a result of that, it is hard to be optimistic about the underclass area population in the face of these findings, especially when we recognize that everyone who will be working in the year 2000 has already been born and two-thirds of them are at work today.

Therefore, I am afraid that most adults in the underclass area of the population that we identified in 1980 must be regarded as a lost opportunity for the year 2000.

This will be true unless successes are achieved in recent demonstration projects in basic skills training is provided to adult workers in their normal working environment. Should this be the case, some of this potential can be harnessed by extending these programs to adult workers from underclass areas and other disadvantaged groups.

However, whether or not these programs are successful, it is imperative that children in the 1980 underclass area population who are just beginning to get an education and those who have not yet completed secondary school and children in underclass areas in the 1990's must receive and achieve basic mathematics, literacy, and reasoning skills in a way more comparable to other segments of our society.

This cannot be accomplished without intensive investment in individuals and a concerted effort to provide quality education to all Americans regardless of their socioeconomic background.

In addition to addressing the basic skills deficiency in the underclass area population, the problem of a growing underclass must be addressed correctly. This would permit full use of all of our available manpower, reduce the social isolation of this population, remove barriers to upward social mobility, and eliminate a major cause of racial disparities and social and economic well-being.

Again, I appreciate this opportunity to testify before you, and I hope this information will be useful.

[The prepared statement of Mr. Mincy follows:]

PREPARED STATEMENT OF RONALD B. MINCY

THE UNDERCLASS:
NEGLECTING AN OPPORTUNITY FOR THE YEAR 2000

Statement before
the Subcommittee on Investment, Jobs, and Prices
Joint Economic Committee

April 18, 1988

by

Ronald B. Mincy*

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* Visiting Scholar, The Urban Institute; and Assistant Professor of Economics, the University of Delaware

Any opinions expressed herein are the author's alone and should not be attributed to The Urban Institute or its officers, trustees or funders.

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I appreciate this opportunity to appear before the Subcommittee on Investment, Prices and Jobs. My testimony today will focus on the urban "underclass" and its implications for a potential mismatch between the skills provided by available workers and the skills needed by employers in the year 2000. It is based on work that I and my colleagues at the Urban Institute have been doing on the spatial concentration of social problems related to urban poverty.

We view this work as an early attempt to quantify the growing public concern about a subpopulation that imposes high costs upon itself and others; possibly exposes our failure as a society to provide upward socio-economic mobility for all; and possesses severe handicaps to full participation in the mainstream American society and economy. Further, if such a severely disadvantaged subpopulation has been growing, our nation's prospects for economic growth between now and the year 2000 could be threatened because the fraction of jobs requiring basic mathematics literacy and reasoning skills will increase at the same time that the labor force will mature and experience a reduction in its growth rate. This public concern has been fueled by a number of independent accounts by journalists and social scientists in our attempts to estimate the size, growth, and composition of the underclass, by drawing upon the common elements among these accounts, we have emphasized the coincidence and severity of handicaps. As a result, our estimates are very conservative and probably exclude many who are also ill-prepared to fill new jobs.

Defining the Underclass

Let me begin by defining what we mean by an "underclass neighborhood" (Ricketts and Sawhill). Conceptually, an underclass neighborhood is an area where antisocial or dysfunctional behavior is commonplace. Such behavior can include illegal activity, drug abuse, dropping out of school, having a child as a teenager, being dependent on welfare, and failing to hold a steady job as an adult. Obviously, a single person can exhibit multiple behavioral problems, and for a given individual it is hard to disentangle which behavioral problems are causes and which are effects (Berlin and Sum). For a variety of reasons, including the prevalence of antisocial behaviors, these neighborhoods tend to be spatially isolated from the rest of the urban community, and therefore, to socially isolate residents of underclass neighborhoods from the rest of the mainstream urban community.

Incorporated in our conception of underclass neighborhoods are both "underclass persons," who actually engaged in dysfunctional behaviors, and others, who while not engaging in these behaviors, by living in neighborhoods where they prevail are affected by and potentially at risk of developing dysfunctional behaviors. Because the distinction between underclass neighborhoods and underclass persons is important, the policy concern must go beyond those directly involved in one of these dysfunctional behaviors and embrace others, living in the same neighborhoods, who are directly or indirectly affected.

For example, descriptions of the underclass emphasize that much of the crime that takes place involves perpetrators and victims who reside in the same neighborhoods. It would be clearly inappropriate to label the victims members of the underclass, but it is important to include them as part of the problem. Similarly, children growing up in underclass areas may not be members of the underclass themselves, but if growing up in areas where demonstration and adverse environmental effects lead them into crime, drug abuse, bearing children as teenagers, low academic achievement and dropping out of high school, then the problem must be defined and measured inclusively. This is extremely important in the present context because the failure to complete high school, to acquire basic skills, and to avoid motherhood and fatherhood while a teenager limits the potential contribution anyone can make to our nation's changing skill requirements.

In our statistical work we attempt to match this behavioral and spatial conception of underclass areas using data from the 1980 Census files. As indicated in Chart 1, we define an underclass neighborhood as a Census tract with a high proportion of:

1. teenagers who are high school dropouts;
2. males (over 16 years old) not regularly in the labor force;
3. households on welfare; and
4. households headed women with children;

In this case "high" means a value of at least one standard deviation above the mean value for all Census tracts in the nation in 1980. It should be emphasized that our definition is very restrictive because a census tract must have high values for all four indicators to be included among the underclass areas. More liberal definitions of the underclass (e.g., residents of extreme poverty areas) that are used by other researchers, result in much larger estimates of the underclass area population. Although a measure of illegal activity, including drug abuse, should ideally be incorporated in the definition, there is no data on this in the Census files.[1]

Underclass Characteristics and Trends

At this point I would like to briefly summarize our findings on the extent and characteristics of the underclass area population in the United States. In 1980 there were 880 underclass neighborhoods containing 2.5 million people, of which 1.1 million also had poverty-level incomes. As Chart 2 indicates, almost all of the underclass neighborhoods are urban (99 percent), they are located predominantly in large northeastern or mid-western cities, and are comprised disproportionately of minorities (59 percent black and 10 percent Hispanic). Almost two-thirds of the adults have less than a high school education. In terms of the dysfunctional behaviors, which served as criteria, sixty percent of the households are headed by women with children, more than a third of the teenagers are high school dropouts, more than half of the adult men are not regularly employed; and about one third of the households are on welfare.

The size of this group may appear small, but one must remember that our definition is very restrictive and realize the rapid growth that has occurred in the underclass area population recently. By requiring high values on all four underclass behaviors, we include only the most

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1. However, in a study of one city--Washington, D.C.--where data on arrest rates was available, adding it to the usual criteria for defining an underclass neighborhood produced almost identical results on the locations of underclass neighborhoods.

extremely depressed neighborhoods among underclass areas. There are many neighborhoods not meeting this stringent criteria in which 40 percent or more of the population is poor. Others have used this as a criterion for measuring the underclass, and doing so would expand the underclass in 1980 to 1,887 neighborhoods and 5.6 million individuals. Further, even our more restrictive definition indicates very rapid growth. Between 1970 and 1980 the population living in underclass areas grew from 752,000 to 2.5 million, more than a three-fold increase (Ricketts and Mincy). Compared with the poverty population, which grew by just 15 percent over the same period, the underclass area population is clearly the faster growing of these two social problems.

Implications for the Labor Market and Policy

Having defined and described the population in statistical terms, the next question is: What are the implications of the existence and growth of an underclass for the ability of the U.S. labor force to meet the changing skill requirements through the year 2000?

The changing skill requirements are largely the result of the long term decline in the manufacturing share of total U.S. employment, and the accompanying increase in the share of service sector employment. Both trends are expected to continue through the year 2000. This shift in the industrial mix of employment has caused a long term increase in the demand for white collar, relative to blue-collar, workers. As a result, basic mathematics, literacy, and reasoning skills will become increasingly important prerequisites for entry level positions and for advancement for more experienced positions. For example, a recent study shows that more than half the jobs created between 1984 and the year 2000 will require more than a high school diploma and more than one third will require a college degree (Johnston).

Although new jobs will require better educated workers, available labor supplies will be inadequate. First, the labor force will grow at its slowest pace since the 1930's. Second, the share of the labor force consisting of workers more than 34 years old is expected to rise from 51 percent in 1985 to 62 percent in the year 2000. This means that the median age of the labor force will jump from 34 years in 1984 to 39 years in the year 2000. Since more mature workers are less willing to move to accept new employment opportunities, employers will have to rely increasingly on younger workers to fill new vacancies. However, the number of workers between 16 and 34 years old is expected to decline by 5 million over the same period.

In the face of these underlying changes in skill requirements and the labor force, the underclass area population represents a small, but significant, potential labor supply that will be unprepared in a period when our economy needs to take full advantage of all of its available manpower. Recall that almost two-thirds of the adults and one-third of the teenagers in underclass areas were high school dropouts in 1980. Therefore, many in the underclass area population will be unable to fill vacancies created between now and the year 2000.

Because of its relationship to other segments of the minority community, the lost opportunity may extend beyond the underclass area population. Blacks and Hispanics living in underclass areas in 1980 represented 6.5 and 5.4 percent of all blacks and Hispanics in tracted areas, respectively. However, the low educational achievements among blacks in underclass neighborhoods may have been extended to blacks in nearby middle income and working class neighborhoods because of housing segregation. Several recent studies have shown that while residential segregation has decreased since 1970, blacks without a college education remain highly segregated (McKinney and Schnare; Massey, Condran, and Denton). As a result, black children from middle and working class backgrounds end up going to schools in which a large fraction of their classmates come from poor families. Children in schools where the majority of families are poor have lower educational achievements that children in schools where the majority of the children are from non-poor families (Chaikind). Thus, segregated housing patterns have maintained separate and unequal educational experiences for black children who live outside, but nearby, underclass neighborhoods. This impact that underclass areas may be having on educational attainment in the larger minority population becomes even more significant when we realize that non-whites will represent 29 percent of the net additions to the labor force between 1984 and the year 2000.

Conclusions

It is hard to be optimistic about the underclass area population in the face of these findings, especially when we recognize that: "...Everyone who will be working in the year 2000 has already been born, and two-thirds of them are at work today.." (Johnston). Therefore, I am afraid that most adults in the underclass area population that we identified in 1980 must be regarded as a lost opportunity for the year 2000. This will be true unless successes are achieved in recent demonstration projects in which basic skills training is provided to adult workers in their normal working environment. Should this be the case, some of this potential can be harnessed by extending these programs to adult workers from underclass areas and other disadvantaged workers. However, whether or not these programs are successful, it is imperative that children in the 1980 underclass area population, who are just beginning their education and those have not yet completed secondary school, and children in the underclass area population of the 1990's must receive and achieve basic mathematics, literacy, and reasoning skills in a way more comparable to other segments of our society. This cannot be accomplished without intensive investment in individuals and a concerted effort to provide quality education to all Americans, regardless of their socio-economic background.

In addition to addressing the basic skills deficiency in the underclass area population, the problem of a growing underclass must be addressed directly. This will permit full use of all of our available manpower, reduce the social isolation of this population, remove barriers to upward social mobility, and eliminate a major cause of racial disparities in social and economic well-being.

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Chart 1

DEFINITIONS

Urban Institute estimates are based on a definition of the underclass that focuses on concentrations of individuals living in neighborhoods where dysfunctional behaviors are commonplace.

That is, where there is a high proportion of:

- teenagers who are high school dropouts,
- prime-age males not regularly attached to the labor force,
- households on welfare, and
- households headed by women,

and where "high" means one standard deviation above the mean for the United States as a whole.

Chart 2

THE SIZE AND COMPOSITION OF THE UNDERCLASS, 1980

	Underclass Areas	U.S.
Total Population (Thousands)	2,484	226,546
Total Poverty Population (Thousands)	1,066	26,100
Proportion of Total Populations that is:		
Urban	0.99	0.77
In Northeast	0.36	0.25
In North Central	0.27	0.24
In South	0.26	0.30
In West	0.11	0.21
White	0.28	0.82
Black	0.59	0.12
Hispanic	0.10	0.03
Adults with less than a high school education	0.63	0.31
Proportion of:		
Households headed by women	0.60	0.19
Teenagers who are high school dropouts	0.36	0.13
Prime-age males not regularly attached to the labor force	0.56	0.31
Households on welfare	0.34	0.08

Representative HAWKINS. Thank you, Mr. Mincy. The next witness is Ms. Mildred Henry of California State University. Ms. Henry, we welcome you again.

STATEMENT OF MILDRED DALTON HENRY, ASSOCIATE PROFESSOR, SCHOOL OF EDUCATION, CALIFORNIA STATE UNIVERSITY AT SAN BERNARDINO, AND PRESIDENT, PROVISIONAL EDUCATIONAL SERVICES, INC.

Ms. HENRY. Thank you, Mr. Chairman. I too appreciate this opportunity to share my thoughts, experiences, and research on education, employment and training dropout youth and related crime activity, and partnerships working together to address these issues.

I am an associate professor at the School of Education, California State University at San Bernardino, and president of Provisional Educational Services, Inc., and director of the Provisional Accelerated Learning Center.

My concern for employment by the year 2000 is not training a competent labor force, but rather having a labor force to train. I contend that if the current dropout, drug, and crime rates continue to escalate, by the year 2000 the majority of our labor force will not be trainable because they will be on the streets selling drugs and engaged in gang activity.

This population will be particularly vulnerable because the majority of them will be uneducated. Speaking of education, one of the most pressing issues we know in education is the dropout rate. Without students, we cannot educate, technically train, or employ a labor force.

Now, I see several factors that will impact the dropout rate, and I will mention five and will be happy to expound, if desired, at the end of my statement.

The first factor I would like to look at is that of educators who underestimate the importance of culture and socioeconomic variables and how they impact student behavior.

Second, inappropriate testing labels, categorizes, and pushes students out of school, often before they can even prove their potential.

Third, too many teachers have become glorified babysitters. Discipline must be returned to the classroom, and students should be encouraged to set high goals for themselves.

Fourth, drug prevention money too often pays for high-salaried administrators and only a minimum amount of money filters down to the classrooms.

Fifth, turf wars have no place in education. The need is so great that all the educational entities must utilize all available resources to educate our people.

The decisions made by educators who are sensitive and can motivate students are what we need. Otherwise, we will not train enough students to be prepared for the year 2000.

Before taking a candid look at employment and training, I would first like to applaud the legislators, program directors, and agency operators who are sincerely working to provide educational and employment opportunities for our citizens.

Second, I would like to highlight several shortcomings as I see them. One, turf wars again, this time between governmental agencies that prohibit services to the population most in need of training. For example, our agency, located in the city of San Bernardino, cannot honor the numerous requests from city residents because JTPA funds are received from San Bernardino County and not from the city.

Two, poor skills, lack of experience, and lower wages paid to youths are deterrents to employment. Consequently, too many are left out with too much idle time on their hands. For instance, in 1986 only 26.5 percent of the black male teenagers were employed, and the majority of those individuals picked up today in the Los Angeles gang sweeps are black male teenagers. These young people must be provided jobs before all of us are totally consumed by crime.

Some of our decisionmakers complacently think that they are in safe environments. But drugs and crime will permeate and spread from Watts to Beverly Hills, from southeast Washington to Georgetown and to every community in this Nation unless we give these young people jobs and offer them positive alternatives.

Three, overburdened social service agencies are ineffectively serving clients. Clients are not getting into the labor market because of inadequate planning by insensitive decisionmakers, inadequate child care, inadequate incentives for leaving welfare and penalties assessed against those who try to become self-sufficient.

Four, decisions for welfare reform are being made by persons insensitive to the experiences of welfare recipients. Impractical reform measures will not increase the labor force.

Since the majority of welfare recipients are school dropouts, we will briefly consider some of the factors that impact the dropout rate. Dropout statistics which run 85 percent in some areas, mandate that we stop ignoring and lying about the problem, inventing new ways of counting, skewing the statistics, and finger pointing, when we can no longer deny the facts. The problem will not disappear, and no problem can be solved without honest assessment and effective intervention strategies.

I would like to offer a few recommendations at this point: One, include dropouts, their parents, and significant others on the decisionmaking committees. Let those who experience the problem offer some solutions.

Two, make committees experientially and culturally relevant. The minority dropout rate is sometimes triple that of the majority. But committees are usually composed of nonminority, nondropout, middle to upper class, employed individuals.

Three, instead of simply urging youth to stay in school, we should offer them year-round, part-time jobs to help them stay in school.

Four, youth entrepreneurial programs should begin with elementary school students. To simply "Say No" to drugs is insufficient, when they can make $1,000 a week selling drugs. In 1986, 55 percent of all juvenile arrests in California were for substance abuse. In San Bernardino County, of the 386 juvenile arrests for drug law violations, 24 of them were 13 years and younger and 437 children 10 years and younger were arrested for some criminal offense.

Five, provide training and employment for juvenile delinquents. The much-publicized Los Angeles gang sweeps which net hundreds of arrests each night will be ineffective unless positive intervention is incorporated. As long as crime is profitable and no jobs are available, two youths will replace every one that is arrested.

Mobile units could be stationed outside courtrooms to take juveniles to job training facilities, and after training they can obtain jobs from prearranged employers.

Six, we need to take education, employment training, and jobs to the streets, to the communities and storefronts and in converted houses on the doorsteps where the people are and where they are not intimidated.

Street academies could be easily accessible, and facilities could be operated by sensitive, culturally relevant individuals who relate to the experience of community residents.

Seven, instill pride. Teach the significant contributions of people of color that the history books have omitted. Let young people know that they have a proud history to uphold, a proud legacy. Youth who are proud of themselves are not behavioral problems. That is something we need to remember: instill self-pride.

Eight, listen to the grassroots people. Some of us mistakenly believe that we, because we possess a title, know everything. An example is the current controversy over the gang-oriented movie "Colors." Neighborhood residents have asked that it not be shown because of its explosive nature. The experts, however, see no problem. so, the movie will be shown. History will record the results.

The preamble to the Constitution begins with "We the people," but in reality, unfortunately, some of us think it should begin with "We the privileged." And that thinking must change. Much can be done to meet the challenges of a changing labor market. But to do so, we must move from rhetoric to action, from the ivory towers to the street and from the hills to the valleys.

Fortunately, some agencies are making that move and working together to address the problems. Many agencies can be identified as effectively networking to equip participants with competitive skills. One such agency I will mention here is Provisional Educational Services, Inc., operators of the Provisional Accelerated Learning Center.

Located in a high-risk community of San Bernardino, CA, the PAL center's dropout prevention, dropout recovery, and employment preparation training for in-school and out-of-school youth programs include project early outreach and early intervention elementary school dropout prevention programs, project EARN and LEARN, summer youth employment program, operation RETAIN, RESCUE, educational training and initiative now, and others.

Project outreach, funded for 110 students, has tutored, counseled, and instilled character in 360 children, has been professionally validated as effective and has maintained a waiting list. Yet, we have been unable to secure continuation funds. This program effectively practices all of the recommendations made by theorists. In the words of the singing group Earth Wind and Fire, sometimes I think politicians brag about paperwork solutions while support is unavailable to those practitioners who are already implementing those successful solutions.

Partnerships and innovations are constantly thought to provide needed services. California State University recently supported Provisional Educational Services in preparing and seeking a talent search grant from the U.S. Department of Education. Services will be provided to 2,000 in-school and out-of-school youth ages 12 to 27 in six school districts and two counties. Over 25 agencies will be involved in service delivery.

We also participate in the school district's school-based antidrug program. We recently wrote a grant to network with other organizations for a community-based antidrug program. We are partners for the San Bernardino City Library in an adult literacy program. We recently became a California SBA-certified educational clinic which operates dropout recovery programs. And we actively network with other agencies such as the San Bernardino Area Chamber of Commerce and the Private Industry Councils.

Potential dropouts, juvenile delinquents, substance abusers, teen parents, low achievers, high achievers with social problems, and all high-risk youth find a caring, sensitive staff at the PAL center. Together, they work hard to prepare for proficiency tests, GED, high school diplomas, English as a second language, employment preparation, and supportive counseling. This is an example of partnerships and innovative networking.

The letters from 14-year-old Latisha Townsend and parents attached to the prepared statement are indicative of the effectiveness of this kind of programing. To those who said it cannot be done, we say support us and we will show you how it is done.

Again, thank you, Mr. Chairman. We would greatly appreciate any future support as we work to educate, train, and prepare a competent labor force for today and the year 2000 and thereafter. Thank you.

[The prepared statement of Ms. Henry, together with the attachments referred to, follows:]

PREPARED STATEMENT OF MILDRED DALTON HENRY

Mr. Chairman and Distinguished Committee Members:

I am Mildred Dalton Henry, Associate Professor, School of Education, California State University at San Bernardino; President of Provisional Educational Services, Incorporated; and Director of the Provisional Accelerated Learning (PAL) Center.

I would like to thank you for the opportunity to testify on the issues specified in your letter of invitation: education, employment and training, dropout youth and crime activity, and innovative partnerships necessary to meet the challenges of the future. My testimony will be based on a theme, entitled,"Employment Preparation: From Table to Street", subtitled "Who's Making Decisions for Whom"?

When I take a candid look at employment in the year 2000, I hypothesize that our problem will not be training a competent labor force, but rather having a labor force to competently train. If the current school dropout, drug, and crime rates continue to escalate, by the year 2000, the majority of the labor force will be on the street selling drugs and engaged in gang activity. It is, therefore, extremely important that we carefully scrutinize the issues, offer alternatives, and activate them.

EDUCATION

The very competent National Education Association President, Mary Hatwood Futrell, has already informed you of educational strengths. Subsequently, in the interest of time, I will concentrate on educational shortcomings, and later in the presentation, make recommendations for corrective activities.

The first major concern is that of Attrition. Researching the issue, I found several contributing factors:

1) cultural and socio-economic insensitivity exists among too many teachers administrators in low-income area schools. The results of a Teacher Opinion Survey I administered in a local school district showed that although 60% of the students were Black and Hispanic, 72% of the teachers were Caucasian; 17% knew "very few" of their students' parents; 43% were dissatisfied with their preparedness for working with culturally diverse students; 37% had not attended cultural workshops during the previous 3 years; and only 20% felt workshops would be beneficial. Next to "paperwork", the thing LEAST liked about their teaching assignment was "problem students." The opinions expressed permeate teacher populations working with high-risk youth.

2) The proposed standardized testing of pre-kindergarten children will add to the pushout population. Some of my worthy colleagues would fail children before they can succeed. Student success will be predicated on parental ability to provide pre-school educational experiences. This is particularly abhorrent to me because little

children are not responsible for the academic, or economic, circumstances of their parents. Every child has a right to learn. Test proponents say they "will consider more than test results",in their evaluations. History, however, has proven that a fallacy. Cultural sensitivity was definitely lacking in those decisions.

3) Too often, highly-publicized dropout prevention funds have been used for high salaried administrators, acquired through the "buddy system," and too little money has filtered down to classrooms, teachers, and students - those in the educational "trenches" who could help stem the attrition tide.

The second major issue is that of discipline. Many teachers have become glorified babysitters. The differences between discipline and abuse should be clearly delineated, and appropriate discipline returned to the classroom.

The third issue of magnet schools continue to be debated. The schools have often perpetuated segregation, and defeated the purpose for which they were intended. So-called gifted children have been bused to campuses with average and low achievers, however, they have been kept separate and apart. This only intensifies negative and low self-esteem feelings among other students.

The fourth issue concerns proposals that are professionally written but do not necessarily yield high performance programs. Few of the 13.5 million small businesses in the United States, although validated effective, can compete with large corporations to acquire federal funds for operating programs in communities where the problems fester. Consequently, dropout, welfare, and crime rates continue to escalate.

The fifth issue concerns "turf wars" between school districts and community-based organizations (CBOs). They have no place in education. The magnitude of the need mandates the support and involvement of all entities. CBOs can greatly enhance the performance of school districts, if effectively networked.

EMPLOYMENT AND TRAINING

The dedicated education and employment and training agencies that provide tutorial services, employment skill training, and job placement services to citizens of our country, are to be applauded for their persistence and dedication. Total commitment is required to effectively train and place individuals who sometimes become so discouraged and dejected that they lose the motivation to become self-sufficient. Legislators and government officials are also to be commended for their efforts to address the needs of this population.

Many citizens have been helped, but the ratio can be significantly increased by scrutinizing and changing policy. With your permission, I would like to briefly mention several shortcomings in our current employment model, as seen through the eyes of a practitioner.

1) Governmental agencies engaged in "turf wars" prohibit training and employment services to the populace for whom the agencies were organized. Provisional Educational Services, funded with Job Training and Partnership Act (JTPA) funds, administered by the San Bernardino County Private Industry Council, cannot service San Bernardino City residents, although the facility is located in the city in a 92% % minority high-risk neighborhood. This area has some of the highest dropout, unemployed, crime, and welfare rates in the State of California. Citizen requests go unheeded because the City and County Private Industry Councils cannot seem to move decisions from the table to the street where the need is critical. To paraphrase a Biblical saying,"Politicians fiddle while communities burn."

2) Social service agencies' inability to effectively relate and serve its clientele also significantly impact the employment picture.

(a) Child care costs, insufficient subsidized care, unacceptable wages, inadequate education, and lack of employable skills combine to make staying home a more attractive alternative than obtaining outside employment.

(b) Mothers who pursue child support are often burdened with the costs of support enforcement by judges who impose court costs on Mom. In some places, mothers are only permitted one call of inquiry, and thereafter charged $15 per call.

(d) Reimbursable insurance costs, for minimal-income, working mothers, make it economically feasible for mothers to remain home and care for their children.

3) Inadequate planning, by decision makers, insensitive to the life experiences of the clientele served, perpetuates the welfare system. We have documented cases of welfare mothers who dropped out of school when told they had to make 40 employment contacts per month to satisfy the social service requirements for continued support. Minority populations, particularly, unaware of their options, will likely adhere to policy, without question. Survival is of paramount concern.

4) Welfare work reform programs are not working because of insufficient incentives. For example , the California Greater Avenues to to Independence Now (GAIN) program requires all welfare recipients and applicants to register for employment and training services. A local administrator stated "through training, we can get recipients into the job market earning as much as they get on welfare". For a woman with two children that averages $533 per month. Even with the provision of transportation and books, most mothers will not be motivated. Decision makers might consider the added incentive of providing in-home care. This would also add another worker to the labor force.

5) **Inadequate education**, and the accompanying low-self esteem, also greatly impact the labor market. Research shows a high positive correlation between welfare dependency and low academic skills. The GAIN program, which began locally in January, with 1200 enrollees, immediately referred 63% of the applicants for remediation. Twenty-four percent (24%) of those originally referred for Job Search Skills lacked basic academic skills and were re-referred for basic remediation.

Current policy mandates this remediation take place on school district or college campuses - where most welfare recipients experienced adjustment difficulties in the first place. A more effective policy would give the applicant a choice of sites. The participant would more likely complete a program of his/her choice. I firmly believe that practitioners should have some input in the decision-making process.

DROPOUTS

The dropout problem is a validated national crisis. Statistics, which run as high as 85% among some populations, and in some areas are well known to you. Consequently, I will only speak to the strengths, shortcomings, and recommendations as I see them.

Strengths. Personally, I don't see any strengths because dropout rates continue to spiral, despite attempts to

(1) ignore the problem;
(2) invent new ways of counting, to avoid seeing the true dropout picture;
(3) skew the staggering statistics; and
(4) finger-point when facts cannot be denied.

The musical group, Earth, Wind, and Fire, succinctly verbalizes my perception when they say in their album System of Survival: **"Politicians Brag About A Paperwork Solution."** . And while politicians politic, youth continue to drop out of school and out of the labor market.

Shortcomings . I see many shortcomings:

1) Increasing academic standards; initiating "leaner, meaner" curriculums; and implementing other educational reform initiatives, without providing effective educational support systems, will only intensify the dropout problem. Effective tutorial services must be vital components of any increased criteria.

2) Most dropout-prevention committees exclude dropouts and their parents. Corrective decisions are being made by persons who have not experienced the problems, and statistics show the folly of this policy. Decision makers should sincerely seek input from dropouts and their significant others.

3) The minority dropout rate is double, and sometimes triple that of the majority. Decision-making committees, however, are composed of non-minority, middle to upper-class, employed individuals who do not relate to the experiences of dropouts. Committees should be more experientially relevant, and decision makers should move from the table to the street where dropouts can be found.

4) Instead of simply urging youth to "stay-in-school", part-time jobs should be made available to high-risk youth during the academic year. This would eliminate forced decisions between loyalty to family and academics. Tutorial support services should be available, as needed.

5) The high positive correlation between dropouts, unemployment, crime and drug usage dictate a change in current policy. These "neighborhood problems", which have invaded school campuses, demand effective action in communities where youth congregate. They must see positive alternatives. EVERY youth who wants to work should have access to a job so that idle time can be filled with productive activity. Academics should be combined with work to derive long-term benefits.

6) Employment opportunities should extend into elementary schools. Some of these youths make $1000 a week selling drugs, and to "say no to drugs" is insufficient. This is analagous to telling a hungry person to refuse stolen bread. Some provisions must be made to replace the negatives with positives. In 1986, 55% of all juvenile arrests in California were for substance abuse. In San Bernardino County, of the 386 juvenile arrests for drug law violations, 24 were 13 years old and younger; and 437 children, 10 years old and younger, were arrested for some criminal offense.

7) Drug education programs are least evident where the need is greatest - in the neighborhoods. Although there are some effective school-based programs, such as the Drug Abuse Prevention Education Program in the San Bernardino City Unified School District, neighborhood drug education programs have been relatively non-existent. Some neighborhood agencies, however, are beginning to address the problem.

Provisional Educational Services has applied for federal funds to support a community-based theatrical group which was organized to pilot an anti-drug program, "Countdown to Crackdown". The unique performance incorporates local talent, original music, and role models from entertainment, sports, business, and the government to deglamourize the use of drugs. Although it uses a medium that appeals to all audiences, and has been enthusiastically received by over 9,000, the performance is targeted to high risk youth ages 9 to 20. Funding has been sought to support this effective community-based anti-drug program, and fill the numerous nationwide requests that have been received.

8) To be effective, dropout-prevention, anti-gang/anti-drug programs must offer positive alternatives. The much publicized Los Angeles "gang sweeps," which net hundreds of arrests each night, will be ineffective unless positive intervention is incorporated. As long as crime is financially profitable, and no jobs are available, jails will not hold all the juveniles arrested. Two youths will replace every one arrested, and crime will continue to escalate. Education, employment training, and jobs must be taken to the street where criminal activity is taking place. Money must be provided those individuals and organizations that are not afraid to go into the neighborhoods and work with high-risk populations.

9) Education and employment entities should move to community storefronts, converted houses, and on doorsteps where the people are available. Training must be easily accessible, and facilities operated by individuals who are educationally, socially, and culturally sensitive to the needs of the populace served. Business and industrial entities can establish "street academies" to train and prepare community residents for employment in their agencies.

10) Youth entrepeneurial programs should begin with elementary school children. Drug pushers provide opportunities for youth to become quite proficiernt in sales. Youth must be taught business development skills in positive environments. Current programs, i.e, the Youth Enterprise Project (Y.E.P.) in Arkansas are designed primarily for college graduates. It is unrealistic to expect youth to struggle through 16 years of education before reaping financial rewards for their efforts. Training must begin in the lower grades.

11) Jobs commensurate with youth skills must be provided. Business and marketing majors should be mentored by corporations. Pay from work-study and internship jobs should be sufficient to finance academic pursuits.

12) Instead of sentencing juveniles with minor offenses to juvenile hall, a mobile unit should be stationed outside the courtroom to take the juveniles to job training facilities. After training, they will be employed by participating employers. Training and employment should be mandatory and enforced conditions for probation.

Much can be done to meet the challenges of a changing labor market but to be effective, decision makers must move from rhetoric to action, from "ivory tower" tables to the streets.

PARTNERSHIPS AND INNOVATIONS

Agencies that offer positive alternatives must work together. For example, a Talent Search proposal, supported by California State University, has been submitted by Provisional Educational Services to the U. S. Department of Education. Educational services will be provided in-school and dropout youth in a minimum of 6 school districts and 2 counties. This collaborative effort is supported by, and networked with over 25 community organizations.

Many excellent programs and agencies could be identified as effectively networking to equip participants with competitive academic and employment skills. For this hearing, however, we will briefly mention some activities of Provisional Educational Services, Incorporated (PESI) in San Bernardino, California.

PESI, a non-profit, tax-exempt community-based organization was formed in December 1984 by citizens concerned about low student achievement and high dropout rates. In January 1986, PESI opened the Provisional Accelerated Learning (PAL) Center in a high-risk community of San Bernardino to provide services in an area that contained some of the highest dropout, unemployment, welfare and crime rates in the city.

The Center has, in its 3-year life-span, been aggressive and successful in marshalling community, public, and private resources to fund and operate outreach and service delivery programs. Partnerships with other agencies have resulted in services for populations aged 6 (Project Early Outreach) to aged 90 (Operation READ). In addition to the Talent Search proposal, prepared with the assistance and cooperation of California State University, and involvement in anti-drug projects with The San Bernardino School District, and the community-based 'Countdown to Crackdown', PESI and the San Bernardino Public Library are joint providers of an adult literacy program, Project "Micro-Read". Another PESI proposal under consideration by the U.S. Department of Education, utilizes university students in community service activities.

Funding continues to be a problem, however. For instance, although the Center, located in a high risk area of San Bernardino, has over 30 eager-to-learn elementary school children attending Project Early Outreach (an early-intervention, dropout-prevention program) every Saturday morning, the successful program is currently operating with volunteers and may be forced to discontinue services to the children unless funding is secured.

Other services, which have been highly successful with high risk populations include individualized tutoring; proficiency test preparation, including the GED and SAT ; a high school diploma, through independent study; English as a Second Language (ESL); silk screening classes; parental support activities; pre-employment and employment skill preparation and placement; counseling and related activities. The appendices contain evidence of program effectiveness.

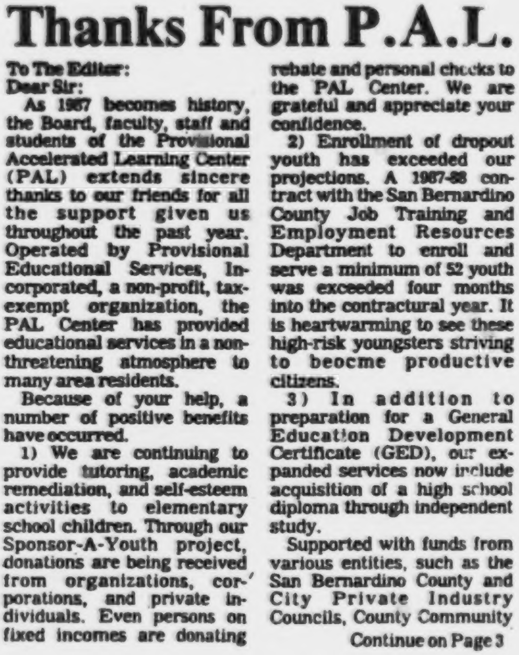
The PAL Center recently became the first free-standing certified Educational Clinic in the State of California. Educational clinics, founded by Rex Crossen in Washington State, in the 1970s, are dropout recovery programs designed to provide out-of-school youth with academic remediation, counseling, employment skills, and self confidence to enroll or re-enroll in secondary school, college, vocational training, employment, or military service.

The agency cited here is only one of many with multi-ethnic, multi-cultural faculty and staff members totally committed to preparing our citizens for the competitive labor market.

As noted earlier, the voiced concern has been that we may not have a competent and skilled labor force through the year 2000. With the concern, dedication, and support of legislators like you, together, we will have an adequate population trained and ready to meet the technological challenges of the 21st century.

Again, thank you, Mr. Chairman and esteemed Members of this Committee, for the opportunity to share a "grassroots" perspective, and we would greatly appreciate you support as we work to educate, train, and employ our citizens in the communities where they reside.

[From Westside Story, Jan. 14-27, 1988]



Thanks From P.A.L.

To The Editor:
Dear Sir:

As 1987 becomes history, the Board, faculty, staff and students of the Provisional Accelerated Learning Center (PAL) extends sincere thanks to our friends for all the support given us throughout the past year. Operated by Provisional Educational Services, Incorporated, a non-profit, tax-exempt organization, the PAL Center has provided educational services in a non-threatening atmosphere to many area residents.

Because of your help, a number of positive benefits have occurred.

1) We are continuing to provide tutoring, academic remediation, and self-esteem activities to elementary school children. Through our Sponsor-A-Youth project, donations are being received from organizations, corporations, and private individuals. Even persons on fixed incomes are donating rebate and personal checks to the PAL Center. We are grateful and appreciate your confidence.

2) Enrollment of dropout youth has exceeded our projections. A 1987-88 contract with the San Bernardino County Job Training and Employment Resources Department to enroll and serve a minimum of 52 youth was exceeded four months into the contractural year. It is heartwarming to see these high-risk youngsters striving to beocme productive citizens.

3) In addition to preparation for a General Education Development Certificate (GED), our expanded services now include acquisition of a high school diploma through independent study.

Supported with funds from various entities, such as the San Bernardino County and City Private Industry Councils, County Community

Continue on Page 3

P.A.L. Thanks

(Continued From Page 2)

Services Department, City of San Bernardino, County Board of Supervisors, Gannett Foundation, Kiwanis Club of San Bernardino, and the Rotary Club of San Bernardino/North, the San Bernardino community has benefited from a number of PAL Center services:

Project Early Outreach, an early-intervention, dropout-prevention program for elementary school youth, has provided free tutoring, counseling, and pride-building activities for over 300 children.

Project Earn and Learn, a summer youth employment program, placed 45 youth on jobs to earn salaries four days a week and learn through academics at the PAL Center the fifth day.

Operation RETAIN (Resource Edcucational Training and Initiative Now) provided tutoring, counseling, and pre-employment skills training to San Bernardino City and County in-school and out-of-school youth.

Summer Food Program, through the City of San Bernardino Parks and Recreation Department, provided over 1100 free lunches to area low-income youth.

These and numerous other services resulted from your funds and wonderful volunteer help. Information on other services, such as English as a second langauge, SAT and proficiency test preparation, silk screening classes, and adult literacy programs, may be obtained by calling 887-7002.

The year 1988 holds exciting challenges. The initial skepticism has been overcome. There were those who said it couldn't be done but with your help **WE DID IT!**

Again, thank you, and we look forward to your continued support as we serve the needs of our populace.

Sincerely,
Mildred Dalton Henry, Ph.D.
Director, The PAL Center

[From the Precinct-Reporter, February 4, 1988]

PAL Success Creates Housing Problems For Students

Successful programs at the Provisional Accelerated Learning (PAL) Center are causing problems. However, they are good problems that indicate a need to expand, according to Dr. Mildred Dalton Henry, PAL Center Director, and Associate Professor, School of Education, California State University at San Bernardino.

Funding from the San Bernardino County Department of Job Training and Employment Resources, and the Private Industry Council, to service an additional 62 youths has forced PAL Center personnel to seek additional facilities for current and projected PAL Center programs.

Initial funding to enroll and serve 52 high risk and dropout youth through Operation RETAIN (Rescue Educational Training and Initiative Now) was exceeded four months into the contractural year. Subsequently, additional funds were awarded the PAL Center to continue the very important service of providing non-intimidating academic remediation and pre-employment skills training free of charge to low-income area youth.

In-school youth receive individualized tutoring to help them remain in school, and dropouts receive academic training to help them acquire a high school diploma, through independent study, acquire a GED certificate, or receive pre-employment assistance.

Enrollees at the PAL Center can receive individualized tutoring and counseling; GED preparation; a high school diploma; English as a Second Language (ESL) training; SAT training and preparation for other proficiency tests; computer literacy; silk screening training and job preparation skills. Also, free tutoring is available to elementary school children on Saturday mornings. Volunteers are always needed. Information on these and other services may be obtained by calling the PAL Center.

Dr. Henry says the PAL Center should remain on the Westside of San Bernardino where the need is critical and the program has been successful. Persons with suggestions and information on available facilities are asked to call Dr. Henry, or Alonza Thompson at 887-7002.

[From the Precinct-Reporter, July 30, 1987]

Letters to The Editor

Dear Editor:

Four months ago, I was called into my grandson's room and told he would have to be retained in the first grade because he was at below first grade level.

I enrolled him in the PAL Center and they began to work with him in reading and math.

When the end of the school year came, the teacher said he was at second grade level and would be able to pass second grade.

This achievement was only because of the dedicated staff of PAL.

This program is definitely needed. (1). Because the schools are all understaffed and overcrowded. (2). This extra help is definitely needed, now in the lower grades rather than to let it go and the child be passed on and become discouraged because he can't do the work as well as his peers.

Sincerely,

Mrs. Edith Harrison

Dear Editor:

I'm disappointed to hear that the Center was not refunded to continue. The Center has been a great success for Nicole.

She started the PAL Center in the summer of '86. At that time she had just ended 2nd grade, entering into 3rd. She was very depressed because she had no concept of what learning was about. She no longer wanted to attend school because she could not understand what was going on.

We heard of the PAL Center and looked into it. After three months of attending the PAL Center, Nicole knew that 3rd grade could not be so bad.

Upon entering the 3rd grade, Nicole was reading at beginning 1st grade. With the help of PAL Center, Nicole is now reading one level behind 3rd. (Nicole has improved a great deal. I'm so proud of Nicole and very greatful to everyone at the PAL Center who has attributed to her improvement.

Sincerely,

Mrs. Morgen

Dear Editor:

The PAL Center has been a great help to my two children. The staff at the Center have worked with my girls with their basic skills in reading, math and language. My girls were very low in their reading and needed improvement in their math.

Since they have been attending the Center, both have received certificates in reading, math and writing. They enjoy learning now and look forward to going to the Center.

My oldest who is 10-years-old, told me that she likes the Center more than staying home looking at television. At the Center you talk to people who do not apply pressure on learning, but show you how you can learn, have fun and grow inside.

I thank everyone at the Center for helping my girls, and I wouldn't want to see the PAL Center close when they're helping so many children who need help.

Ann Howard

Dear Editor:

The PAL Center is the nicest thing to happen in my neighborhood. My granddaughters attend there and they both have improved in school. My daughter was told that her oldest might not pass this year because of her reading. And my granddaughter was not making an effort in her class and the teacher really wanted her to get in more reading to build her reading skills to passing level.

Since she has been going to the Center, her teacher at school had to write her mom a note saying how much Anak's reading improved. All of that is due to the help of the PAL Center and being a grandparent with all the bad things in life today going on. It's nice and I say keep up the good work and open another Center in all areas.

Ophelia Martin

Dear Editor:

My little boy, James, needs this Center to help him improve his reading. It's already done a lot for him the in the short time he has been there. I know if this Center goes on, he will do much better in his reading. Thank you!

Mrs. E. Simmons

Dear Editor:

My husband and I would like to express our disappointment in learning that the PAL Center will no longer be available to our children Alan and Sharika Lewis.

This program came highly recommended to us through a social worker that works for County Adoptions. Since our children started this program, they have shown mass improvement in their school studies as well as their confidence in holding their own in a classroom. This improvement was also obvious to their school teachers during the last couple of months of school. Their teachers asked me about the improvement and I made them aware of the PAL Center. Both Alan and Sharika's teachers said that they would definitely recommend this program next year to their students that needed assistance outside of the classroom.

I would like to request that should the program become available at a later date, we would appreciate you letting us know. My children were very disappointed to hear that today was their last day. I've never seen them so anxious to attend school, as they were every Saturday morning while in the PAL Center program.

I would like to thank Mrs. Atkins and her staff for the excellent work they did with Alan and Sharika, and also for the patience and understanding.

Sincerely,

Kevan and Cherlyn Chandler

July 22, 1987

Dear Dr. Henery,

I'm writing to let you know that I'm extremely happy with my job placement, the people I work with make me feel good inside. I would also like to thank you personaly for being the best Director you could be, and taking time to be with us. I feel that if someone tried to take your place they wouldn't get the job done as well as you would, so keep the seat warm. I would like to say that your staff is doing a great job, they have helped me alot. They have been wonderful being and working with, and they are willing to work with the young and that makes me feel that I can always come to the Pal Center when I need help. And they show their concern about you and your job, and just how things are going with you. I think that is really good.

Your program is the best I know of, and I'm proud that I'm part of the "PAL CENTER". I think that Pal Center is the best name for your program. I'm glad you felt my skills were more needed at Cal State then at a Park and Rec program. I'm really proud of myself, I never thought I could get a job in a place like Cal State. I hope that I will be back next year and the following years to come. One day I will reach my goals and dreams, and I have you to thank for all of it because if it wasn't for your program I would of never had any experience with a job like this. I have you to thank.

Once again I would like to thank you for your support, kindness, and understanding.

Sincerely,

Latisha Townsend

Latisha Townsend

Representative HAWKINS. Thank you, Ms. Henry. The next witness is Mr. Raul Yzaguirre.

STATEMENT OF RAUL YZAGUIRRE, PRESIDENT, NATIONAL COUNCIL OF LA RAZA

Mr. YZAGUIRRE. My name is Raul Yzaguirre, president of the National Council of La Raza. Thank you for the opportunity to testify before this subcommittee. I will attempt to summarize my prepared statement.

Let me first begin by telling you who we are at the National Council of La Raza. We basically do two things: We serve about a million Hispanics through our network of affiliates throughout the country, and we do policy research on what affects the Hispanic community.

Let me begin also by talking about the Hispanic population in broad terms. I think you are very well familiar with the statistics and the demographics of our community, but let me try to go over them very briefly for you.

We note that the Department of Labor has issued a report recently called "Workforce 2000." That report indicates a growing gap between the number of skilled workers and the demands of an increasingly technical and service-oriented job market.

In that context, you should be aware of the fact that Hispanics have grown by 30 percent since 1980. That is a rate of about five times the rest of the population. We are still the youngest group in the country and the fastest growing.

Despite all of the attention that we have given to the dropout rate, the highest of any group in this country, and the fact that we have the lowest educational attainment, we have not made much progress. From 1982 through 1987 there was only a slight gain in educational attainment for Hispanics. We still have the fact that Hispanics usually have a 60 percent higher unemployment rate than the rest of the country, and that does not seem to be getting any better.

In fact, income, real median income adjusted for inflation between 1981 and 1986 for Hispanics, has in fact decreased. That is to say that at the height, if you measured from the height of the depressional recession, whichever you want to use in 1981, through the so-called recovery in 1986 that occurred for the rest of the country, we in the Hispanic community did not make very much progress. Indeed, our poverty rate went from 23.5 percent in 1981 to 24.7 percent currently.

I also talk about the need to improve the school systems and the fact that school systems simply are not prepared to deal with bilingual children or children who do not speak a language other than English. We want to express concern over the fact that current efforts to reform—so-called reform efforts—simply raise the hurdle without giving us any additional coaching, to use the metaphor.

We are very pleased to note that H.R. 5 is now nearing enactment, and we think that represents a real step forward. We congratulate this committee for the work it has done in that area.

We also want to continue to express support for the new English literacy grants in the Adult Education Act, and we urge you to continue your fight, Mr. Chairman, for funding of this and similar legislation adopted in the Senate known as the English Proficiency Act, which we were pleased to have a major part in developing.

We also talk about JTPA. You have heard us mention our concerns over this program in the past. Fundamentally, we believe that the program is designed in such a way that it misses the hardcore unemployed, and it has a tendency to skim at the risk of not serving those most in need.

We are very happy that the Labor Department has issued some revised performance standards. We think that that is basically a problem with the core performance standards. They drive local providers to accelerate their performance in terms of job placement at the risk of serving the more long-term unemployed who need greater services at greater cost.

Since JTPA was implemented and enacted, the number of Hispanic community-based organizations participating in the program has dramatically declined, and we see that increasing. As a matter of fact, when we go talk to our affiliates and ask them to begin to participate in the program, we are almost ushered out of the door because of the immense negative experience that they have had with the program.

We want to use this opportunity to express our support for the Youth Employment Services Act of 1987, introduced by Senators Metzenbaum and Specter in the Senate and by Congressman Mfume and Representative Hayes in the House of Representatives. We think that will go a long way in addressing some of the problems we have talked about.

I want to reinforce the fact that Hispanics have the highest rate of worker dislocation of any group in this country, and the incresing tendency to have more plant closings due to competition from other countries means that we will suffer a greater impact because of these trends.

We also want to express our concern for Hispanic employment at the Federal level. We think that there is a direct correlation with the lack of Federal employment of Hispanics, particularly at the higher levels of Government and the fact that we do not seem to have policies or programs or dollars that address our particular problems.

Let me conclude by making a couple of points, Mr. Chairman. Referring again to the "Workforce 2000" report by the Department of Labor, we note that by the year 1992 there will be three workers supporting every social security retiree as opposed to, in 1952, when we had 17 workers supporting every social security retiree. And one of those workers will be a minority person, and increasingly that minority will be Hispanic. So, we think if you cannot convince policymakers to act rationally, benevolently, on the basis of altruism, we hope we can persuade them on the basis of simple logic and need for this country.

Lastly, we hear a great deal in this country about the trade deficit and the budget deficit, as we should because these are tremendously important issues. But I would like for us to begin to consider a deficit that is even more important, and that is the deficit in human investment that has been occurring over the last 7 years.

That is to say, if you can find a way to measure what we have not invested in human beings and begin to compare that with other industrialized nations, we will begin to realize how far behind and how much of a threat, how great a threat this is to our long-term survival as a nation.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Yzaguirre follows:]

PREPARED STATEMENT OF RAUL YZAGUIRRE

I. INTRODUCTION

Mr. Chairman, members of the Committee, my name is Raul Yzaguirre. I am President of the National Council of La Raza. The Council, which is one of the largest national Hispanic organizations, exists to improve life opportunities for Americans of Hispanic descent. It is a private, nonprofit organization which serves as an umbrella for more than 80 "affiliates" -- local Hispanic community-based organizations serving 32 states, Puerto Rico, and the District of Columbia -- and has a national network of more than 4,000 organizations and individuals. The Council has a long-standing commitment to improving the education, training and employment opportunities available to Hispanics.

II. CHARACTERISTICS OF THE HISPANIC POPULATION

To understand Hispanic employment and education status and needs, it is important to recognize the implications of Hispanic demographic trends. Last September, the Census Bureau released its advance report on "The Hispanic Population in the United States," based on the 1987 Current Population Survey. The report gave us a clearer picture of trends that many of us have been observing and commenting on for years now. The data in this report, which document the very rapid growth of the Hispanic population since 1980, have profound implications for social, political, and economic change in this country.

Similar data are examined in the Hudson Institute's "Workforce 2000" report, the product of an initiative of the Department of Labor, which sought information to assist in charting a policy course into the 21st century. The report projects a growing gap between the number of skilled workers and the demands of an increasingly technical and service-oriented job market over the next 15 years.

Census information shows that the Hispanic population has increased by 30% since 1980. That's a growth rate about five times as great as that of the rest of the U.S. population. Hispanics are still by far the youngest group in the U.S. Our median age is 25.1 years, compared to 32.6 for non-Hispanics.

Hispanics showed some slight gains in educational attainment between 1982 and 1987. The proportion of Hispanics 25 years old and over who have completed four years of high school or more increased from 45% in 1982 to 51% in 1987. However, viewed in context this figure doesn't look very good. A bare majority of Hispanics completing high school is not much to cheer about, especially when we consider that more than three-fourths of non-Hispanics are high school graduates. Nor is this very encouraging when we realize that between now and the year 2000 the majority of new jobs will require at least some postsecondary education.

The report records other disturbing information about Hispanic socioeconomic status, such as the very small improvement in educational attainment, the continuing gap between Hispanic and non-Hispanic families living in poverty. Hispanics, especially Hispanic men, have very high labor force participation rates, but high unemployment rates. The Hispanic unemployment rate dropped from 13.4% in 1982 to 8.8% in 1987. However, the comparisons between 1982 and 1987 data are somewhat misleading. The nation was in a deep recession in 1982, so the comparisons tend to overstate the improvements. In 1980, the Hispanic unemployment rate was 60% higher than the rate for Whites; it remained over 60% higher in 1987.

Real median income for Hispanic families, adjusted for inflation, did not change significantly between 1981 and 1986. Non-Hispanic families experienced a 10% increase in real median income over the same period. In 1986, Hispanic men and women had the lowest median weekly earnings of any major population group. Also in that year, the median weekly earnings for Hispanic men were only 61% of those of non-Hispanic men. In 1986, there were 200,000 more Hispanic families living below poverty line than in 1981 -- this translates to a total of 1.1 million Hispanic families living in poverty, or 24.7% of all Hispanic families, up from 23.5% in 1981. Nearly half these families were headed by single women and over three-fifths were headed by householders who had not completed high school.

The situation described in the Census report does not come as a surprise to groups like the Council, which has advocated for 20 years that policy makers recognize and incorporate the needs of this rapidly growing population in their policy decisions. As demonstrated in the "Workforce 2000" report, it appears that others are also beginning to acknowledge the extraordinary challenges posed by the changes taking place in the composition of the U.S. population. We must meet these challenges or face the prospect of a seriously under-educated, ill-prepared work force in the 21st century.

III. POLICY IMPLICATIONS

To begin to address the problem of an ill-prepared work force, we must look at our nation's educational system. It is time we recognized that education is as essential investment in our nation's most precious resource, its people. The current level of federal, state and local resources devoted to improving education for Hispanics is inadequate, and there is an overwhelming need for systemic public school reform. Most public schools today are not prepared to effectively serve Hispanic children. Reform efforts must be preventive, not solely remedial. Programs aimed at improving the educational attainment of Hispanic children must begin in the earliest elementary grades and in preschool. We need improvements in teacher training, parent and adult education, parent involvement, and special programs for at-risk children. We must also work closely with community-based organizations which can supplement public school offerings. And we cannot continue to raise hurdles to high school graduation and college attendance in the guise of "reform" without providing the essential coaching to Hispanic children to help them successfully jump those hurdles.

H.R. 5, now nearing enactment, represents a very important step in improving educational opportunities for Hispanics. The National Council of La Raza is pleased to have been able to work closely with the Congressional Committees on Education and Labor and Labor and Human Resources in the development of this legislation. However, Congress must remain alert to ensure the programs in H.R. 5 are properly implemented and funded to meet the needs of Hispanics and other American children. The new English Literacy Grants program in the Adult Education Act should receive full funding so it can help bring down the 50% functional illiteracy rate among Hispanic adults. This program, a modified version of the English Proficiency Act introduced by Senator Jeff Bingaman (D-NM), is a promising approach to meeting the literacy needs of limited-English proficient adults. H.R. 5's new dropout demonstration and secondary skills improvement programs must equitably reach the large numbers of Hispanic youth in need of such services. In addition, the amendments to the Bilingual Education Act must be responsibly implemented to ensure that only well-designed programs are funded and that limited-English proficient children are not placed at greater risk by English-only programs which address only the language needs of children and do not fully develop the basic skills needed by all children.

Employment and training programs must also be more responsive to the needs of this growing pool of potentially productive workers, or the nation will find itself with too few skilled workers to fill jobs requiring more advanced skills and educational backgrounds. Under the Job Training Partnership Act (JTPA), basic education and long-term training have been overlooked in favor of low-cost programs with strict performance standards. Partly as a consequence of this, dropouts and youth have been underserved. Though many praise JTPA for its success in achieving job placement goals at minimal costs, we need to take a closer look at who is really being served by these programs, and at whose expense.

The Department of Labor recently issued revised performance standards for JTPA. The revisions are an attempt to address concerns regarding the system's disincentive to serve those who are at greatest risk of unemployment or underemployment. We are pleased by the emphasis in the revised standards on investments in basic skills instruction and job skills training to improve long-term employability of disadvantaged youth. However, we remain wary of a system which remains so performance driven and which in many cases lacks sufficient funding to implement programs addressing the long-term training needs of those who are most at risk.

Since JTPA was first implemented, we have seen a dramatic reduction in the numbers of Hispanic community-based organizations (CBOs) providing federally funded employment and training services. Part of this reduction is due to the nature of the system and the emphasis on fixed unit price performance-based contracting. Exacerbating the problem is the lack of guidance and technical assistance to CBOs which traditionally serve the most disadvantaged and hard-to-reach population groups. Many Council affiliates have found that JTPA does not allow them to effectively serve high-risk youth or adults, and they have chosen to refuse further participation as JTPA contractors. We strongly urge the Department of Labor to make a strong commitment to involving representatives of service providers and CBOs in future deliberations on issues such as performance-based contracting, which so deeply affect our organizations and the people we serve. Failing to do so would represent a threat to the ability of federal employment and training programs to successfully prepare the work force of the future.

Last year, Senator Howard Metzenbaum (D-OH) and Senator Arlen Specter (R-PA) introduced S. 1731, the Youth Employment Services (YES) Act of 1987. An identical bill, H.R. 3671, was introduced in the House by Representative Kweisi Mfume (D-MD) and Representative Charles Hayes (D-IL). The Act would establish 75 to 100 public/private partnerships throughout the country to provide remedial education, vocational training, and job placement for low-income youth lacking minimal reading and math skills, a high school diploma, or recent work experience. The legislation is designed to assist youth who have not been adequately served by existing programs under JTPA. The YES Act represents an opportunity for greater investment in disadvantaged youth so they can become productive workers. We urge both the Senate and the House of Representatives to move forward toward passage of this legislation.

We have noted that Hispanic earnings fall well below those of non-Hispanics. This is primarily because Hispanics are concentrated in JOBS that are low-skill, low-paid and vulnerable to frequent spells of unemployment. We know that even many of these jobs will not be available in the future job market. We see this happening already, as Hispanics are experiencing the highest rate of worker dislocation of any major U.S. population and are the least likely to be reemployed. Thus, this gap will widen, rather than narrow, if we do not provide the improved education and training discussed earlier, as well as support services such as child care and health care, to disadvantaged segments of the population. Furthermore, the wage discrepancies we speak of can also be attributed partly to sex and ethnic-based discrimination. These discrepancies must be eliminated by policies such as equal employment and pay equity. Institutions which exist to address these issues have failed to a large extent in recent years. We need to take a good, hard look at our equal employment and affirmative action policies and enforcement systems and reaffirm the mandate given to those charged with their implementation and enforcement.

There is also much room for improvement in Hispanic employment at the federal level, particularly in agencies such as the Department of Labor and the Department of Education. Rather than providing a shining example as an equal opportunity employer, these departments lag dismally behind in the hiring of Hispanics, particularly at higher grade levels. The percentage of Hispanic employees at the Department of Labor in 1986 was 4.3%, at the Department of Education 3.6%. We often hear complaints about the paucity of Hispanic applicants for jobs at these agencies, but the National Council of La Raza knows from its own experience that many qualified Hispanics are out there, if an agency is willing to put in the time and resources to do adequate outreach. Additionally, if despite sincere efforts to locate qualified Hispanics, federal agencies are unable to find them, then it is necessary to provide not only outreach, but improved training for potential Hispanic employees as well.

IV. CONCLUSION

In the forward to "Workforce 2000," Roger D. Semerad, Assistant Secretary of Labor, states that, "Our job is now to reach our destination:

an economically competitive America that fully utilizes the talents and skills of all its citizens" (emphasis added). It is in the national economic and political interest to see that the educational and labor force status of Hispanics in this country improves. In 1952 there were 17 workers for each Social Security retiree receiving benefits. In 1992, there are expected to be only three workers, and one of these will be a member of a minority group. In the future, Hispanics will also constitute a larger proportion of U.S. voters. Businesses in this country will rely on a larger Hispanic consumer population for continued marketing success.

The 1987 Census report confirms what we've been saying all along: Hispanics will constitute a large proportion of the future U.S. population and labor force, and we must improve their opportunities for full access to the economic mainstream. A well-educated and trained work force and literate citizenry are essential for American stability and competitiveness in the 21st century.

As always, the National Council of La Raza stands ready to work with this Committee and other members of Congress on these critical issues. We will gladly answer any questions you may have regarding our testimony. Thank you once again for this opportunity to appear before you today.

Representative **Hawkins**. Thank you. The final witness is Mr. John T. Denning, president of the American Association of Retired Persons.

STATEMENT OF JOHN T. DENNING, PRESIDENT, AMERICAN ASSOCIATION OF RETIRED PERSONS

Mr. **Denning**. Thank you. Mr. Chairman, I appreciate the opportunity to be here with you today. I am John Denning, president of the American Association of Retired Persons.

I listened with great interest to what Mr. Fraser, Mr. Mincy, Ms. Henry, and Mr. Yzaguirre had to say. I think probably in my presentation here today maybe I can provide some help in finding some solution to many of the problems they have had.

AARP is definitely interested in children. It is interested in families. It is interested in handicapped and underclass people, drug abuse, crime, urban and regional population problems in education, and particularly education for literacy. So, today, AARP welcomes this opportunity to discuss what the current labor policy and how it will affect America's labor force into the 21st century.

This future labor force issue greatly interests AARP because older workers will be an important part of the future work force. The Department of Labor predicts a future labor shortage as the baby-boomers retire and fewer workers are around to replace them. It only makes sense to have policies that encourage people to stay on the job. Almost 10 million of AARP's 29 million members work full or part time. One of our primary goals is to secure equal employment opportunities for older workers. Neither social attitudes nor employer practices, nor Government programs should push competent and experienced workers into retirement.

Great strides have been made to protect older workers' rights and also encourage them to keep working. For example, the elimination of mandatory retirement and pension reforms that require employers to continue accrual of pension benefits for older workers and also to allow newly hired older workers to participate in the pension plan.

However, a lot needs to be done, and I would like to highlight three issues in particular: the social security earnings limitation; social security's delayed retirement credit; and this widespread use of early retirement incentive programs by employers.

Social security law limits the amount a beneficiary may earn from working. In 1988 beneficiaries between ages 62 and 64 may earn $6,120 before a penalty kicks in. Those between 65 and 69 may earn $8,400 and after that $1 of benefit is lost for every $2 earned. By 1990 this ratio will be changed to one in three.

In simple terms, the earnings limit obviously does not encourage people to work. It was established during the Depression years to encourage older workers to leave the labor force. At that time we all remember the high unemployment. And it is still doing that same thing today. But times and the labor market have changed.

I urge you to consider eliminating or substantially modifying the earnings limit so as to remove this penalty. Older workers who defer receiving social security until they retire at any age older than 65 currently receive a 3 percent increase in benefits for each year worked up to age 70. This credit will be raised gradually to 8 percent by the year 2008. This higher credit, which more accurately compensates people who work past age 65, is a powerful and sometimes overlooked incentive to keep working.

AARP strongly urges you to consider a faster phase-in of the new higher credit.

Employers who must downsize often offer exit incentives rather than mandatory layoffs, with their accompanying hardships. Employers often structure these as early retirement incentives which have been offered to hundreds of thousands of older workers in the past decade. The Age Discrimination in Employment Act does not prohibit early retirement incentives per se, but these programs must be scrutinized to make sure they don't discriminate.

More important, AARP is skeptical about any employment practice that targets older workers as being the most expendable. One must question the wisdom of a practice that encourages the most experienced workers to leave the work force.

Congress and the Department of Labor have not expressed support for these programs. Unfortunately, the Equal Employment Opportunity Commission has, at the expense of the rights of older workers and good labor policy. The EEOC does not closely examine these programs to see if they discriminate. Instead, it encourages them with policies that turn a blind eye to existing or potential discrimination.

For example, in August 1987 the EEOC issued a rule allowing older workers to waive their rights under the ADEA without EEOC supervision. This would make it easier for employers to offer early retirement incentives in an illegal manner. A concerned Congress suspended this rule in December. In a recent court case, the EEOC agreed with an employer that basing the amount of early retirement cash incentives on a worker's age was OK even if there was no difference in the cost of the benefit to the employer.

This goes against the EEOC's own rules as well as the law. It is not the EEOC's job to make labor policy, but that is what it is doing, and I urge you to closely examine the EEOC's actions and the wisdom of early retirement incentives generally.

A viable alternative exists. Exit incentives offered to employees regardless of their age can just as easily accomplish the employer's legitimate economic goals. I believe older workers must play a major role in keeping America's economy strong in the future. In order to ensure that, we must begin planning now for the future.

I thank you again for the opportunity to participate in this planning process. Thank you, Mr. Chairman.

[The prepared statement of Mr. Denning follows:]

PREPARED STATEMENT OF JOHN T. DENNING

THANK YOU, MR. CHAIRMAN.

I AM JOHN DENNING, PRESIDENT OF THE AMERICAN ASSOCIATION OF RETIRED PERSONS. I APPRECIATE THIS OPPORTUNITY TO DISCUSS WITH YOU HOW CURRENT LABOR POLICY WILL AFFECT AMERICA'S LABOR FORCE INTO THE 21st CENTURY.

THIS ISSUE GREATLY INTERESTS A.A.R.P., BECAUSE OLDER WORKERS WILL BE AN IMPORTANT PART OF THE FUTURE WORK FORCE. THE DEPARTMENT OF LABOR PREDICTS A FUTURE LABOR SHORTAGE AS THE "BABY BOOMERS" RETIRE AND FEWER WORKERS ARE AROUND TO REPLACE THEM. IT ONLY MAKES SENSE TO HAVE POLICIES NOW THAT ENCOURAGE PEOPLE TO STAY ON THE JOB.

ALMOST TEN MILLION OF A.A.R.P.'S 28 MILLION MEMBERS WORK FULL- OR PART-TIME. ONE OF OUR PRIMARY GOALS IS TO SECURE EQUAL EMPLOYMENT OPPORTUNITIES FOR OLDER WORKERS. NEITHER SOCIAL ATTITUDES, NOR EMPLOYER PRACTICES NOR GOVERNMENT PROGRAMS SHOULD PUSH COMPETENT AND EXPERIENCED WORKERS INTO RETIREMENT.
GREAT STRIDES HAVE BEEN MADE TO PROTECT OLDER WORKERS' RIGHTS AND ENCOURAGE THEM TO KEEP WORKING; FOR EXAMPLE:

- THE ELIMINATION OF MANDATORY RETIREMENT, AND
- PENSION REFORMS THAT REQUIRE EMPLOYERS TO
  - CONTINUE ACCRUAL OF PENSION BENEFITS FOR OLDER WORKERS AND
  - ALLOW NEWLY-HIRED OLDER WORKERS TO PARTICIPATE IN THE PENSION PLAN.

HOWEVER, A LOT NEEDS TO BE DONE. I'D LIKE TO HIGHLIGHT THREE ISSUES:

- THE SOCIAL SECURITY EARNINGS LIMITS;
- SOCIAL SECURITY'S DELAYED RETIREMENT CREDIT; AND
- THE WIDESPREAD USE OF EARLY RETIREMENT INCENTIVE PROGRAMS BY EMPLOYERS.

(SOCIAL SECURITY EARNINGS LIMIT)

SOCIAL SECURITY LAW LIMITS THE AMOUNT A BENEFICIARY MAY EARN FROM WORKING. IN 1988, BENEFICIARIES BETWEEN AGES 62 AND 64 MAY EARN $6,120 BEFORE A PENALTY KICKS IN; THOSE BETWEEN 65 AND 69 MAY EARN $8,400. AFTER THAT, ONE DOLLAR OF YOUR BENEFIT IS LOST FOR EVERY TWO DOLLARS YOU EARN. BY 1990, THIS RATIO WILL BE CHANGED TO ONE-TO-THREE.

IN SIMPLE TERMS, THE EARNINGS LIMIT OBVIOUSLY DOES NOT ENCOURAGE PEOPLE TO WORK. INDEED, IT WAS ESTABLISHED DURING THE DEPRESSION TO ENCOURAGE OLDER WORKERS TO LEAVE THE LABOR FORCE AT THAT TIME OF HIGH UNEMPLOYMENT. IT'S STILL DOING THAT - BUT TIMES AND THE LABOR MARKET HAVE CHANGED. I URGE YOU TO CONSIDER ELIMINATING OR SUBSTANTIALLY MODIFYING THE EARNINGS LIMIT SO AS TO REMOVE THIS PENALTY.

(SOCIAL SECURITY DELAYED RETIREMENT CREDIT)

OLDER WORKERS WHO DEFER RECEIVING SOCIAL SECURITY UNTIL THEY RETIRE AT AN AGE OLDER THAN 65 CURRENTLY RECEIVE A THREE PERCENT INCREASE IN BENEFITS FOR EACH YEAR WORKED UP TO AGE 70. THIS CREDIT WILL BE RAISED GRADUALLY TO EIGHT PERCENT BY 2008. THIS HIGHER CREDIT, WHICH MORE ACCURATELY COMPENSATES PEOPLE WHO WORK PAST AGE 65, IS A POWERFUL AND SOMETIMES OVERLOOKED INCENTIVE TO KEEP WORKING. A.A.R.P. STRONGLY URGES YOU TO CONSIDER A FASTER PHASE-IN OF THE NEW, HIGHER CREDIT.

(EARLY RETIREMENT INCENTIVE PROGRAMS)

EMPLOYERS WHO MUST DOWNSIZE OFTEN USE "EXIT INCENTIVES" RATHER THAN MANDATORY LAYOFFS WITH THEIR ACCOMPANYING HARDSHIPS. EMPLOYERS OFTEN STRUCTURE THESE AS EARLY RETIREMENT INCENTIVES, WHICH HAVE BEEN OFFERED TO HUNDREDS OF THOUSANDS OF OLDER WORKERS IN THE PAST DECADE.

THE AGE DISCRIMINATION IN EMPLOYMENT ACT DOES NOT PROHIBIT EARLY RETIREMENT INCENTIVES PER SE. BUT, THESE PROGRAMS MUST BE SCRUTINIZED TO MAKE SURE THEY DON'T DISCRIMINATE. MORE IMPORTANT, A.A.R.P. IS SKEPTICAL ABOUT ANY EMPLOYMENT PRACTICE THAT TARGETS OLDER WORKERS AS BEING THE MOST EXPENDABLE.

ONE MUST QUESTION THE WISDOM OF A PRACTICE THAT ENCOURAGES THE MOST EXPERIENCED WORKERS TO LEAVE. CONGRESS AND THE DEPARTMENT OF LABOR HAVE NOT EXPRESSED SUPPORT FOR THESE PROGRAMS. UNFORTUNATELY, THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION HAS - AT

THE EXPENSE OF THE RIGHTS OF OLDER WORKERS AND GOOD LABOR POLICY.

THE EEOC DOESN'T EXAMINE THESE PROGRAMS TO SEE IF THEY DISCRIMINATE. INSTEAD, IT ENCOURAGES THEM WITH POLICIES THAT TURN A BLIND EYE TO EXISTING OR POTENTIAL DISCRIMINATION. FOR EXAMPLE:

* IN AUGUST 1987, THE EEOC ISSUED A RULE ALLOWING OLDER WORKERS TO WAIVE THEIR RIGHTS UNDER THE A.D.E.A. WITHOUT EEOC SUPERVISION. THIS WOULD MAKE IT EASIER FOR EMPLOYERS TO OFFER EARLY RETIREMENT INCENTIVES IN AN ILLEGAL MANNER. A CONCERNED CONGRESS SUSPENDED THIS RULE IN DECEMBER.
* IN A RECENT COURT CASE, THE EEOC AGREED WITH AN EMPLOYER THAT BASING THE AMOUNT OF AN EARLY RETIREMENT CASH INCENTIVE ON A WORKER'S AGE WAS O.K., EVEN IF THERE WAS NO DIFFERENCE IN THE COST OF THE BENEFIT TO THE EMPLOYER. THIS GOES AGAINS THE EEOC'S OWN RULES, AS WELL AS THE LAW.

IT IS NOT THE E.E.O.C.'S JOB TO MAKE LABOR POLICY - BUT THAT'S WHAT IT'S DOING. I URGE YOU TO CLOSELY EXAMINE THE E.E.O.C.'S ACTIONS, AND THE WISDOM OF EARLY RETIREMENT INCENTIVES GENERALLY. A VIABLE ALTERNATIVE EXISTS - EXIT INCENTIVES, OFFERED TO EMPLOYEES REGARDLESS OF THEIR AGE, CAN JUST AS EASILY ACCOMPLISH THE EMPLOYERS' LEGITIMATE ECONOMIC GOALS.

I BELIEVE OLDER WORKERS MUST PLAY A MAJOR ROLE IN KEEPING AMERICA'S ECONOMY STRONG IN THE FUTURE. IN ORDER TO INSURE THAT, WE MUST BEGIN PLANNING NOW. THANK YOU AGAIN FOR THIS OPPORTUNITY TO BE A PART OF THE PLANNING PROCESS.

Representative **Hawkins**. Many of your recommendations were considered by the Subcommittee on Employment Opportunities of the Education and Labor Committee. Again, I will take your testimony and refer it to the chairman of that subcommittee. You have presented some excellent recommendations on some problems that do prevail. I just want to assure you they are being recognized.

I certainly suggest that you consult with the chairman of that subcommittee, who is a member of the Education and Labor Committee, Representative Martinez. And he certainly will work with you in trying to clear up some of those problems. Thank you.

Mayor Fraser, you certainly did include a lot of excellent programs. Some of them seem to coincide with some recommendations that are already being made in some legislation that is in the process of being adopted. I am not so sure, however, how you are making out with the funding of these programs and to what extent are they integrated with such programs as Head Start and Chapter 1 and some of the other programs.

How do you share the funding of this? It is of some concern with me as a resident of an American city. Are you assuming an increasing role with respect to the funding of them, or do you have the backup in Federal programs that will certainly allow you to expand the type of programs that you have indicated?

Mr. **Fraser**. Mr. Chairman, the problem of what is happening to children between the ages of 0 and 5 now has to be recognized as a part of the educational responsibility borne by each State. In the Minnesota State Constitution the education of children is made a State responsibility, and of course for the ages of 5 through 18, K through 12, the States do carry probably 95 percent of the cost, the State and local government. The Federal educational assistance is modest and targeted. That's good.

But most of the money is local. I think what now must be recognized is that to successfully educate many of these children—because the families are no longer performing the function they once did of delivering a school-ready child at age 5. We now have to think of 0 to 5 as a piece of that educational responsibility.

It involves more than conventional education. It has to do with developmental opportunities for children. But the point is, if they do not get it from 0 to 5, they are more likely to experience failure on K through 12, which is a long way of saying that while I think the Federal Government could usefully enlarge its role in these early childhood programs to the extent the Federal Government does not, I do not believe the States can sit back and wait. It is too urgent.

In my view, we are facing a national crisis that rises above almost anything else that is confronting the United States. It is the breakdown of the family and the consequences on these youngsters. And so I believe that State resources, and local resources, need to be harnessed to work with these families, and to give the children the support they need no matter what.

In the case of Head Start, which is primarily a Federal program, both the State and even our city treasury are making contributions to the large enrollment in Head Start. But at the moment our resources are limited because we are spending so much money on police and firemen and getting the streets plowed. We do have snow up in Minnesota.

We need Federal help, but I have watched for 8 years the Congress unwilling to face the economic realities of staggering deficits, unwilling to raise taxes, and so I am not going to pin my hopes on the Federal Government suddenly deciding to become responsible again. If I may say so, I think that we have to figure out a way to do it at the State and local level.

That is true whether we are talking about expanding Head Start, expanding other remedial programs, introducing screening of all kids at age 3, developing outreach programs to reach every family from day one. I think that has to be now seen as a State and local responsibility, and to the extent we get Federal help, it will be very important because we are going to have trouble finding the resources.

If I had my way, though, and I had another dollar to spend on the problem of unemployment of young adults, I would spend it in those first 5 years. I would put that way above almost anything else that we would do. That is our impression as we have worked with this problem now for about 8 years.

Representative **Hawkins**. I certainly think that you are saying what virtually everyone else is saying, but no action is resulting from it. While you may be being responsible in trying to do it in Minneapolis, we have the situation across the country of most cities facing so many problems of their own that they are definitely unable to do it. Many States are unable to do it. My own State is up against a constitutional limit, and it's falling behind in doing it.

Yet, we are talking about—and I think the issue cuts across the testimony of all the other witnesses—we talk about the critical years and what we should be doing. But the fact is that most children do not enjoy Head Start, and that creates a problem, obviously, in later years when we get into the problem of discipline in the schools, dropouts, et cetera.

While you may be very responsible in trying to assume a heavier load, the fact is that with a decreasing Federal contribution to the problem that the Federal Government certainly recognizes but does not do anything about, we are headed for real trouble. There is no doubt about that.

But we do appreciate your tryting to do it. I only suggest that most cities and a lot of States cannot do it. So, if we are talking about doing something for the underclass or for the 30 percent of the population that is not keeping up, then we are just hoping for something that really is not going to happen.

The fact is that the Department of Education is not very much concerned about doing anything about the problem. So, I hope you are not basing your expectations on trying to do it yourself with most other cities and States unable to do the job while the Federal Government seems to be ignoring it.

Mr. **Fraser**. Mr. Chairman, I think that a larger Federal role would be very important, and I recognize the unevenness of the resources, especially of the cities. Some cities have such a large problem that they could not begin to think of adding the expenditures that would be needed. And in a way, that is the primary function of cities. At least in most areas, I think it is the country, it is the State involving the social services.

One of our problems is that there is no school board for 0 to 5 years. We do not have organized teacher groups, organized school board associations who are there to lobby for the youngsters. About the most effective lobby we have is the Children's Defense Fund, which does a terrific job.

But there is not the organized lobby to say if we are really serious about education we will not let a kid reach age 5 without making sure they are as school-ready as possible. It's dumb not to work with these families and these kids. It's as though one were running a college that did not care what was happening in the high schools.

We have to think about what kind of students you are getting, and if the students who come in are experiencing low self-esteem, poor self-image, poor expectations, and a family environment which is not supportive, those kids are headed for trouble, and the problem is not just for them, it's for their classmates and for the community.

Our State has the resources, but because we are not inhibited by a constitutional limit, what we lack as we lack at most levels of government is the political will. Political will comes partly through a broader public understanding of what is going on. That is why I value these hearings. I think every opportunity we get to talk about what's going on may reach a few more people.

But I can hardly overstate my belief that this is really more important than just about anything else we're proposing to spend money on.

Just as an illustration, we are going to build a light rail system, I think, in our county. Its nice. But with that money, we could do an awful lot for these kids, and it is a question of priorities. And the establishment marches merrily down its way, not realizing the growing disaster which is happening right under their noses.

Representative HAWKINS. Let me see if some of the other witnesses may respond to primarily the same question. We talked of gang activitity, drug problems. We talked about the Job Training Partnership Act, and the limitations. I have heard the implication given.

And I think you, Ms. Henry, said let's give them jobs, et cetera. But you did not identify who is going to give them the jobs.

Could we be a little more specific in identifying the respective roles of the States or local governments and the Federal Government, particularly from the viewpoint of the Federal Government, which is primarily what we here in Washington can do to encourage the States to do everything possible? We obviously are pleased when we have a city represented by an outstanding mayor such as Mayor Fraser, who is able to do it because of the will to do it. But that isn't always true.

Should we then say that it is the local government's responsibility to move this program and they will finance it, or does the Federal Government have a role to play in determining the outcome? Often we do not hear to much being said here in Washington about investing in education.

We had a difficult time trying to turn the tide around, but the talk here in Washington at the Federal level is about budget cuts. It seems that if you can suggest some way of cutting the budget, the domestic budget—the domestic budget, that is, not defense—but if you can conceive of a way to cut domestic spending, then you become very popular. But the person who wants to suggest some way of spending a Federal dollar then becomes an outcast.

What do you think about what responsibility we have here at the Federal level? Certainly to the disadvantaged groups or groups that have cultural differences, language differences and what not, should there be much more Federal responsibility assumed, and if so, in what way?

Ms. HENRY. Yes, Mr. Chairman. I definitely think that the Federal Government should play a bigger part in providing funds. I think it's a matter of reprioritizing. If we look at preventive measures, it's much more economical to provide funds up front to prevent some of the problems—the gang activities, the low academic skills—than it is to try to rectify them later.

We know the figures. We have seen the statistics on what it would cost to educate a child, say, in our local school district in our area. It's about $2,800 for 18 months, when it costs $38,000 to incarcerate that same child later.

So, I think the Government should reorganize, reprioritize, and take a serious look and play a bigger part. Actually, the responsibility belongs to all entities, as I see it. And it bothers me when I come to Washington and I go to the Department of Education and I say how about funding a program that is effective in the local neighborhoods, and they say, OK, then it's the State government's responsibility. We go to the State, they say it's a local responsibility. So, I see everybody is "letting George do it," and George is waiting for you to do it. It's a roundrobin.

I think it is the responsibility of all entities, and I definitely think that the Federal Government should play a much greater part.

Now, as far as the JTPA funds are concerned, there are funds allocated. I think too often there is so much redtape and bureaucracy involved that we can't get the money and there are so many constraints on it that we cannot effectively serve the populace. So, I have a problem with that, too.

In answer to your question initially, I think that the Federal Government can play a much bigger part, and I feel the dollars are there. It is a matter of where do you utilize them, where do you get the best advantage. To me, it is early intervention: pay out now and you have to pay out less than you do in rectification later.

If they would like for me to come in and give some input, I would be happy to. It bothers me. I think that our legislatures are not sensitive to the needs of our populace. We have become too hardcore, I think, and insensitive.

As far as culture is concerned, that is something I feel is very important, and I feel this is one of the main reasons students have dropped out of school. We are not culturally relevant. People are making decisions that have not experienced the problems. And as I mentioned, committees are composed of majority participants—if you want to call majority ethnics "participants"—when they make decisions for minority groups. It increases the problems.

Representative **Hawkins**. Are you talking about the school boards or are you talking about councils such as parent councils that once prevailed in connection with most of the education programs but apparently do not now?

Ms. **Henry**. I am talking about school boards, parent participation groups. For instance, I participated in a dropout prevention program or council, rather, or committee for San Bernardino City and also for the school district. And especially the city, I think there were only one or two minorities on there. There were no dropouts on the committee. There were no parents on the committee of dropout students. And when we even suggested bringing in dropouts to share their experiences, it was not well received. That's the kind of thing I am referring to.

We must get the people involved who are experiencing the problems.

Representative **Hawkins**. You mentioned gang activity and you stressed that. Actually, in some portions of my district in terms of gang activity, we have a situation prevailing which is not a very pleasant one in which individuals, community people, disabled and elderly people are very much concerned about their safety on the streets.

We have certain young people who are engaged in some activities of senseless killings and so forth, and you have a police department that is being prevailed upon to do something about it. And they go out and they begin to sweep the neighborhoods to try to get rid of the gangs. In the process, obviously we have many innocent people being hurt.

I heard parents even this week calling me up and saying, "Look, we are getting tired of having to go down to the jailhouse and try to bail out kids who were trying to recover their automobiles that have been stripped, kids that have never been involved in any problems before."

You have these two groups fighting each other. Now, in such a setting like that, what do you do? What do I do as a Representative, one of the Representatives of that area, in terms of this conflict? Have we waited too long? Have we started at the wrong end?

Mr. Mincy is trying to get in, and I will let him. You, Ms. Henry, and the others, do you see where we've gone wrong and what we can do about it? Mr. Mincy.

Mr. **Mincy**. Thank you, Mr. Chairman. I think that one of the primary mistakes that we are making is, first of all, viewing these problems as isolated problems, viewing problems of drug abuse, teenage pregnancy, poor performance in schools, as isolated from one another. Moreover, viewing problems in underclass communities as isolated from those in middle-class communities.

What we find really is if you want to understand where to start in unraveling some of these problems, a key place to begin is employment, particularly of youth and particularly minority youth, particularly male youth.

Even if we look back to the days of the Kerner Commission, what we saw is that much of the violence that took place was primarily in the minority youth. Those were the most frustrated. And the key frustration among them was joblessness.

Therefore, a key way to get to unravel the drug addiction and the crime is to begin by providing the programs that employ younger people and employ young men in particular.

Moreover, it is important to understand that communities that live outside of underclass communities are affected by the crime and by the drug abuse and everything that takes place. So, we have to view these problems in terms of investment, not only in our future but an investment that more well-off communities make for themselves in rectifying some of the problems that seem to be overwhelming in the more underclass communities.

Representative HAWKINS. Let me ask you this. Every time I suggest one of these what I call cost-effective successful programs, if you were in Congress and you asked where is the money coming from, how would you reply?

Mr. MINCY. Well, sir, I would first of all note what proportion of the U.S. budget is allocated toward alleviating the interest payment on the Federal debt. Upwards of $145 billion, if I am not mistaken. And so, some of the moneys are available.

I think it is more a question of our priorities as a nation than whether or not the funds exist. I believe that Federal moneys can be reallocated from defense expenditures toward social service expenditures because as defense expenditures are expenditures in our future, so are expenditures on people.

Representative HAWKINS. Any further comments on the general subject of what role the Federal Government should play in the various problems that we have identified?

Ms. HENRY. Just one additional comment, Mr. Chairman. When we talk about where the moneys are coming from, when I look at the moneys that are poured into increased police force, I think some of that could be put into the educational bin and used for the early intervention strategies we talked about.

I do not think it is too late. To respond to your previous question, I do not think it is too late. I think we have to address the problems from both ends of the continuum now, early intervention and corrective.

But as we said earlier, it is a matter of looking at the situation and prioritizing. The money is there. It is a matter of mindset, where are our priorities and what do we feel is most important. I say it is early intervention.

Representative HAWKINS. You would begin at the critical age and then gradually expand the program so as to include the older and older, but beginning at the preschool age?

Ms. HENRY. Yes, sir. The reason we have this early intervention program at the PAL center where we work with elementary children, ages 5 and up, we find these kids come on Saturday morning, they are eager to learn. When other children are looking at TV, they come and they do not want to go home when it is time to go home at 1. They say, "Do we have to go home? All we are going to do is look at TV." They come down to learn.

Representative HAWKINS. How is your program funded?

Ms. HENRY. That program is currently not funded. We are running it strictly on volunteers. And between quarters, when Cal

State is not in session, I have to close it. And the children call my home and say, "When do we come back to school?"

I think that should not be. I was initially funded with Community Block Grant moneys from the city of San Bernardino. When we reapplied, we were told that was only initial funds, and I did not realize that. I thought we were going to continue in some other way. So, this whole year we've operated with volunteers, which is not the best way.

The other, the secondary program, the only funding that we have is JTPA funding, and there have been some problems there. We have adults that have called us who want to be serviced over the age of 51. Currently, we have no plans to serve them. An illustration is ESL parents: 35 have called us and want to be serviced; we do not have the funds. So, we refer them to the San Bernardino School District, and they say, yea, we know the program is there.

The point is, when it comes to cultural variables again, they feel intimidated, and they have waited 1 year while we are trying to get funding for this program. I think it is imminent. I hope it is, anyway. But funding is a problem for effective programs, and it should not be that way.

Representative **HAWKINS**. Mr. Yzaguirre, you mentioned something about a decline in the level of Hispanic groups participating in the Job Opportunity Partnership Act. Am I correct?

Mr. **YZAGUIRRE**. That's correct, sir. We have had a very dramatic decline. As a matter of fact, it goes further than that. If you start with the first training program, the Manpower Development Training Act, you have a very high level of Hispanic and CBO participation. Then you had CETA, which went to a more decentralized form. Then you had JTPA. It has been going down, down ever since.

I think it is a direct correlation between the importance that the Department of Labor and the legislature places on the involvement of those community groups representative of the population that they are supposed to be serving.

If I may, Mr. Chairman, I would like to comment on some of the other previous questions, with your permission.

Representative **HAWKINS**. Go right ahead.

Mr. **YZAGUIRRE**. Starting with some particular items and then going to broader subjects, let me just second what you said, what you made reference to, the fact that across many of our programs involving education in particular, we have seen a devaluation of the involvement and the worth of the involvement of parent groups. We have seen it in a number of administrative ways. We have seen it in a number of legislative ways.

Where there used to be the prerequisite that not only the parents be involved, but that resources be made available for that kind of involvement, we just see that almost totally eliminated. Although it is theoretically allowed in practice, it seems to have almost disappeared.

Second, regarding the question of language and culture, our view is that that factor seems to be also demeaned or trivialized. We are not talking about simply pinatas once in a while or soul food occasionally, but I mean a real understanding of the factor of culture as it has to do with learning, how you learn differently in different cultures, how your own self-worth, your own self-concept is important in the way that you develop yourself and in the way that you succeed in school.

Third, commenting on your last question, which I think is probably the most important question that the Congress has to decide, and that is, what are we going to do about the budget? Let me just simply relate to you what the Hispanic leadership has concluded recently at the National Hispanic Leadership Conference, where we debated and wrangled and soul searched over this issue.

Our conclusion is that there has to be a balanced approach to this subject. This is hardly new. But what I think is very clear to us is that there has to be a tax increase and that that tax increase ought to be progressive in nature, it ought to reverse what we have seen in the past—including the use of the regressive social security taxes, dramatic increases in social security taxes, which are very, very regressive.

We think that we ought to have a freeze on military spending. And that is something we have never touched before. Hispanics are very patriotic people, and to hear us say that we ought to be putting a freeze on military spending is really outstanding.

Fourth, we think that there ought to be a modest and judicious increase in domestic spending, particularly in spending in human capital.

Representative HAWKINS. Mr. Denning.

Mr. DENNING. I have listened thoughout this presentation, and I think you have got a real case of fragmentation. I think we have also that expensive item called ignorance. Then we have the problem of not using the real power of a person who is in upper years, who is experienced in life.

I believe, in truth, a better educational program through some approach to reducing the deficit we are talking about, which will eliminate the need for payment of interest, and use these funds for some human needs and to recognize the many problems that are related to age.

I am delighted that we have in the last 2 or 3 years recognized the need for the elimination of discrimination. I think we are making progress. I believe as the time comes and the number of older workers and older people gets larger, we are going to recognize that we can plan for a different type of work schedule, a different atmosphere in the workplace, and a different interest in people that will produce the kinds of things that we are talking about here today.

We cannot eliminate ignorance without educational programs. We cannot eliminate ignorance without some kind of economic system that will provide opportunities for people to live in dignity. I believe this is what we are talking about.

But we have made progress, and we appreciate it, but we think yet that there is much to be done to encourage the older people who feel the responsibility to help fill the void in the labor force, which is certaintly going to come about in the years to come. This is the main message we want to leave with you, and also that there is an economic factor here and in many cases what appears to be an expense may be, in turn, not an expense. It may be a little wiser use of an individual's time and also the interest in keeping that individual interested in helping to do the work and helping to plan.

Older people have lots of skills that probably in many cases go to waste. As consultants, they could be a great help. As entrepreneurs that can develop new interests, and certaintly I think that they can provide a lot of leadership that we would like for them to have the opportunity to do. Thank you so much.

Representative **Hawkins**. On that positive note, I think it's a good place to end. As one of those older persons myself, I quite agree with you on what role our senior citizens can play in solving these problems. Obviously, we have to invest a lot more in education at all levels, and in all the people involved.

Recently, before another committee that I chair, the Committee for Economic Development, which consists of a chief executive officer of some of the largest corporations of America, they said the same thing: we've got to invest much more in education. So, I think we are moving in the proper direction of recognizing this.

The problem, in my view, is that Congress is not keeping abreast, they are not keeping up. Perhaps at that level we've got to do a lot more than what we have been doing, and I think hearings such as this will certainly help us to document what people are thinking across the country. And you have been very valuable in helping us.

Mr. **Denning**. I know there are a lot of older people who are making tremendous contributions. There is voluntarism. This country would probably almost come to a halt if we eliminated voluntarism.

Yet I really believe—I think about the mayor and I think about many others—that we do not use the amount of talent and the interest and ability we have out in the countryside that is tied up in these older people. I think that good planning could help us even do a better job.

Representative **Hawkins**. It's nice for people who are making $100,000 or more a year to talk about we need more volunteers. Some of these people have to be paid. We cannot ask a lot of individuals to assume that. It's nice, but you cannot always depend on it. Thank you very much again. We are delighted to have all of you.

Mayor Fraser, it's nice to see you again. Perhaps you would let us subpoena you for some of these hearings so we can at least see you from time to time. Thank you. That concludes the hearing.

[Whereupon, at 10:50 a.m., the subcommittee recessed, to reconvene at 9:30 a.m., Tuesday, April 19, 1988.]

EMPLOYMENT IN THE YEAR 2000: A CANDID LOOK AT OUR FUTURE

TUESDAY, APRIL 19, 1988

Congress of the United States,
Subcommittee on Investment, Jobs, and Prices
of the Joint Economic Committee,
Washington, DC.

The subcommittee met, pursuant to recess, at 9:35 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Present: Representative Hawkins and Senator Sarbanes.

Also present: William Harrison, professional staff member.

OPENING STATEMENT OF REPRESENTATIVE HAWKINS, CHAIRMAN

Representative Hawkins. The Subcommittee on Investment, Jobs, and Prices of the Joint Economic Committee is called to order.

This morning, we have asked the Secretary of Labor to testify before the subcommittee on this final day. Because of a time constraint, we're going to hear from her first. And then, afterwards, we will hear from a panel of expert witnesses.

This is the final day of hearings on the topic of employment in the year 2000.

We would like to welcome all of you to this morning's proceedings concluding this 4-day series. The subcommittee has had the privilege of hearing some thorough and compelling testimony. The testimony has been compelling in the sense that, by all accounts, this Nation must use its collective resources—Federal, State, local, and private—to invest in the technical competency and intellectual capacity of its people.

Economists, labor and industry experts, academicians, local government officials, and public interest groups have all come before this subcommittee with one principal concern.

The employability of the greater share of the projected labor force is seriously threatened with the literacy, criminal activity, drugs, and a growing underclass of unskilled workers.

Thus, the Nation faces a crisis in the labor markets into the 21st century unless we can modify the system of education and training policies to intervene and prevent the continued wasting away of our youth.

I would caution policymakers to avoid viewing the problems exposed and examined during these hearings as isolated to the underclass communities.

Illegal activity, drug abuse, school dropouts, teenage pregnancy, low academic achievement, welfare dependency, and unemployed adults are not endemic solely to underclass neighborhoods.

These unproductive behaviors limit the potential contribution anyone can make toward the Nation's changing skills requirements.

This morning, I'm very, very pleased to have as the first witness—and I will forgo the lengthy introduction which would be made of the Secretary of Labor. She was selected to be the 19th Secretary of Labor by President Reagan on November 3, 1987, and was sworn into office December 17, 1987.

In this capacity, Secretary McLaughlin is the chief adviser on labor issues and directs the U.S. Department of Labor, which administers a wide range of programs and laws. And, in fact, not only the workers and their families, but employers, State and local government agencies and the academic community.

She brings to the Cabinet position the wide experience as an executive manager, policymaker in public and private organizations.

It is a pleasure to welcome the Secretary of Labor before the subcommittee.

Madam Secretary, you may proceed. We will have your prepared statement entered into the record in its entirety. You may deal with the highlights of it as you so desire.

STATEMENT OF HON. ANN D. McLAUGHLIN, SECRETARY OF LABOR, ACCOMPANIED BY ROBERT T. JONES, DEPUTY ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING

Secretary McLaughlin. Thank you, Mr. Chairman.

I would like to walk through my prepared statement and paraphrase some of it. I'm very pleased to be here and pleased with the hearings in this series that have been held to date; they will be helpful for all of us.

I wish to begin by not only commending you for holding these hearings, but also by emphasizing that the Department has devoted a great deal of attention over the past several years to many of these same topics.

We are very gratified to the Hudson Institute for working with us on the project "Workforce 2000" which provided insight into employment trends leading to the next decade. While there are many dimensions to the future economic health of our nation, human resources clearly are a key factor.

Employment in the 1980's as we know, has grown by more than 15 million. We must recognize, however, that there are groups within our work force that are in jeopardy now and are that likely to be even more so into the 1990's.

However, current employment trends reported in "Workforce 2000," present our nation with a unique opportunity. With the slowdown of labor force growth, effective human capital investment policies can achieve the longstanding social objectives of bringing into the economic mainstream disadvantaged workers who have traditionally been left behind. For example, our attention is most often on the Hispanic and black youths who are disproportionately at risk of dropping out of high school, thus failing to acquire vital skills and who are likely to suffer chronic unemployment.

We are also concerned about mothers, whose children's future depends on the kinds of livelihoods they can earn; these are mothers of young children and are most vulnerable to the long-term welfare dependency. Then, there are the displaced workers in our manufacturing sector who have contributed greatly to stable communities and companies are now put out of work often with obsolete skills. There are members of farm families in small towns hard hit by the need to supplement their income with off-farm employment at a time when small towns are losing their population and jobs. Also, there are severely disabled veterans, over one-half of whom are out of the labor force.

Enhancing and fully utilizing the skills of all our citizens, especially the groups who have traditionally been left behind, is not only essential, it is our prime concern. The key factor in achieving this goal is to upgrade the quality of our work force through better preparation and worker utilization and worker flexibility. This has been one of my main goals. We need to sharpen skills, learning and knowledge of American workers. The quality of the products and services that they will provide will then follow.

We need to find better ways to move those on welfare into economic self-sufficiency and to get the unemployed back to work.

We need to improve our educational system in many different ways so that those entering the work force are better prepared.

We need to address the multitude of issues that will facilitate full utilization of human capital. I particularly refer to flexible benefits, including dependent care needs, flexible work schedules, and work incentives and disincentives.

In addition to improving the quality of the work force, we must improve the quality of the workplace. To assure optimum utilization of our human resources and to maximize productivity, business and labor need to rethink the American workplace.

The challenges for industry and labor are to explore new approaches and for the public sector to examine whether it has imposed legal requirements that may inhibit worker flexibility.

The administration has proposed a number of initiatives in the past 2 years, including—and I'll just highlight—the worker readjustment program, which is in the trade bill. The Department's new youth proposal is currently in the developmental stages and modifies the Job Training Partnership Act summer youth program to allow for year-round services for at risk youth.

The Department of Labor has invested a considerable effort in enhancing literacy training and in on-the-job training. We also recently published a booklet entitled "The Bottom Line, Basic Skills in the Workplace," that was coordinated and put forth with the Department of Education.

In addition, the Department has recently released a report on child care as an important economic and work force issue. Child care affects the productivity of our industries and the supply of our labor. Child care is very important in a discussion of work force issues for the following reasons: Child care enables workers to carry out their work responsibilities fully and successfully. It enables parents to return to or stay in education or training programs; and it enables employers to compete and maintain a productive work force.

In the coming months, I plan to continue my efforts to focus public attention on the work force implications of the child care issue. I will work with departmental officials to take steps to create an environment for business, States, and local communities to develop creative solutions.

I see the child care issue as of prime importance to a number of other issues that I know this committee and others will be addressing.

Mr. Chairman, I thank you for this opportunity to make these opening comments, and I'm prepard to answer your questions.

[The prepared statement of Secretary McLaughlin follows:]

PREPARED STATEMENT OF HON. ANN D. McLAUGHLIN

Mr. Chairman and Members of the Subcommittee:

I am pleased to have this opportunity to testify before you today on national policies and priorities that are necessary to produce a competent and skilled labor force through the year 2000 and beyond.

I wish to begin by commending the Chairman and Subcommittee for holding these hearings. As you know, this is a subject to which the Department of Labor has been devoting a great deal of attention over the past several years. We are gratified at the response to our Workforce 2000 message, and to the growing recognition and consensus regarding the problems we face.

While there are many dimensions to the future economic health of our Nation, human resources clearly are a key factor. We have made tremendous progress in this decade in putting people to work. Employment in the 1980s has grown by 15 million. Nevertheless, we must recognize that there are groups in our work force that are in jeopardy now, and are likely to be more so in the 1990's because of certain labor force trends we have identified.

I will not elaborate on our labor force projections to the year 2000, since that subject was covered last week in testimony by BLS Commissioner Janet Norwood. However, let me highlight three points:

- The labor force in the 1990's is expected to grow at about one-half the rate of the 1970's.
- At the same time, the labor force will become progressively older, as the number of young workers declines. A growing share of young workforce entrants will be minorities, from single parent families, or poor -- those who traditionally have more difficulty in making the transition to employment.
- We expect employment growth to be primarily in the service sector of the economy, and to be predominantly in occupations which require higher levels of analytical, problem solving and communications skills. For the first time, half of the new jobs will require a post-secondary education. Correspondingly, jobs in occupations generally requiring a high school education or less will decline as a share of total employment.

These trends present our Nation with a unique opportunity. With the slowdown of labor force growth, effective human capital investment policies can achieve the long-standing social objectives of bringing into the economic mainstream disadvantaged workers who have traditionally been left behind. I have in mind the following types of individuals:

- Hispanic and black youths who are disproportionately at risk of dropping out of high school thus failing to acquire vital skills, and who are likely to suffer chronic unemployment.
- Single mothers whose children's future depends on the kind of livelihoods they can earn, of whom mothers of young children are the most vulnerable to long-term welfare dependency.
- Displaced workers in our manufacturing sector who have contributed greatly to stable communities and companies and now are put out of work, often with obsolete skills.
- Members of farm families in small towns hard-hit by the need to supplement their income with off-farm employment precisely at a time when small towns are losing their population and jobs.
- Severely disabled veterans, over one-half of whom are out of the labor force.

Enhancing and fully utilizing the skills of all our citizens, especially these groups who have traditionally been left behind, is essential if we are to continue our economic growth and be able to meet our international competition.

Improving the Quality of the Work Force

The key factor in achieving this goal is to upgrade the quality of our workforce through better worker preparation, worker utilization, and worker flexibility. For example, we need to sharpen the skills, learning and knowledge of American workers and the quality of the products and services they provide. This will involve increasing basic skills for the workplace, as well as occupational retraining and skill upgrading to keep up with changing technology.

We need to find better ways to move those on welfare into economic self-sufficiency, and to get the unemployed back to work.

We need to improve our educational system in a variety of ways, so that those entering the workforce are better prepared. For example, we need to make sure that the students coming out of our schools have the basic skills that will enable them to obtain and keep a job. Schools also must do more to get those in danger of dropping out to stay in school or other at-risk youth to return to school. Many children at risk of failing now attend schools which are themselves at risk of failing to help students. We need to work for more accountability in education, both for the schools and their students.

We need to address the multitude of issues that will facilitate the full utilization of human capital -- particularly flexible benefits, including dependent care needs, flexible work schedules, and work incentives and disincentives.

Improving the Quality of the Workplace

To assure the optimum utilization of our human resources and to maximize productivity in an increasingly competitive environment, business and labor need to rethink the American workplace. The challenge is for industry and labor to explore new approaches, and for the public sector to examine whether it has imposed legal requirements that may inhibit worker flexibility.

There is an appropriate role for the government here, and it is to encourage greater worker-management cooperation to assure job satisfaction and higher productivity. There are, of course, many approaches that can be explored to accomplish this. For example, recent developments in labor-management relations have great potential for increasing employee involvement and improving productivity. For example:

- innovative pay systems,
- integrated team concepts for restructuring production methods,
- quality circles,
- worker participation in decisionmaking,
- enhanced employment security provisions, and
- improved and more flexible pension, health care and other benefit coverage.

Administration Initiatives

Ultimately, the solutions to these problems must come from business, labor, education, and citizens working together at the community level. However, I believe government at all levels can play a constructive role as a part of this partnership. I would like to take a few minutes to briefly describe several Administration initiatives that address the quality of the workforce and workplace, for which the Deparment of Labor has significant responsibility.

Worker Readjustment Program

Mr. Chairman, as you know, just over a year ago the Administration submitted to the Congress its proposal for a new, comprehensive $980 million Worker Readjustment Program to replace the Trade Adjustment Assistance (TAA) and JTPA Dislocated Worker programs. A version of this proposal is included in the Trade Bill currently in the final stages of Congressional consideration. We are gratified that the Congress chose to incorporate so many of the features of the original Administration proposal. We believe this new program will be much more effective than current programs in facilitating the early return to employment of workers who have lost their jobs for a variety of reasons. We remain strongly opposed to the continuation and expansion of TAA in the same bill.

Youth Proposal

Currently, the Department of Labor is developing a legislative proposal to better focus resources of the Job Training Partnership Act Summer Youth Program on "at-risk" youth. While the details of this proposal are still under development, I can tell you briefly about its broad outlines.

Our proposal is designed to improve the long-term employability of at-risk youth, enabling them to make successful transitions from school to work. It attempts to accomplish this by increasing the basic skill levels of these youth, increasing the socialization skills and behaviors appropriate to school or work, and developing basic occupational skills.

The proposal is trageted to 14-21 year-olds who are economically disadvantaged and deficient in basic reading, writing, computational and analytic skills. Among those youth who are eligible, special consideration will be given to those who experience severe disadvantages, such as school dropouts, students with poor academic and attendance records, pregnant and parenting teens, and recipients or members of families receiving welfare.

Literacy

The Department of Labor has invested a considerable effort in enhancing literacy training under the Job Training Partnership Act. First, literacy training and remedial education were made a regular part of the Summer Youth Program. Second, we have been assisting Service Delivery Areas to incorporate literacy training into their mainline adult and youth programs. Finally, we are undertaking a major research and demonstration effort to develop the tools for improving literacy training.

In late 1986, public and private sector representatives were asked what they thought government could do best to contribute to adult education and increased basic skills. They suggested to us and the Department of Education that we could best evaluate promising approaches and disseminate the most promising ideas and models. To a large extent, that is what we are now doing. Our most recent effort is the publication of The Bottom Line: Basic Skills in the Workplace, a booklet of practical information designed to help business and industry apply proven basic skills training practices to the solution of workforce literacy problems.

The Department's research and demonstration efforts on literacy are aimed at finding ways to apply the latest advances in literacy and learning to the practical problems we need to address at the worksite and within job training programs. Our efforts range from testing and evaluating technology-based instruction techniques for the workplace through the gamut of literacy and basic skills programs for specific target groups such as dropout-prone teenagers and school dropouts, women on welfare, and displaced workers. We have solicited proposals from State and local job training and education programs, the private sector, and community organizations to carry out this program.

Our expectation is that these efforts will provide us with greater knowledge about how to use private and public resources effectively in helping people learn basic skills and the best ways to teach them. We hope this will help us to more effectively bridge the gap between theory and practice.

Improving the Employment and Training System

In times of scarce resources, we need to assure that our systems are operating efficiently and that they are effective in carrying out their goals. Therefore, we are reviewing our programs and preparing to implement a series of research and demonstration projects to improve our system for delivering services to disadvantaged youth and adults and dislocated workers. Some of these planned projects would:

- Assess the experience gained in linking JTPA to other education, human service and economic development programs.
- Study Private Industry Councils to strengthen their effectiveness.
- Test strategies for providing homeless persons with an array of job training and related services to help them return to or achieve economic sufficiency.
- Increase basic skills and occupational competency-based training for youth.
- Modify the apprenticeship system to realize its potential in meeting future highly skilled and technical employment demands.

Child Care

Child care is an important economic and work force issue. It affects the productivity of our industries and the supply of our labor. Child care is important for the following reasons:

- it enables workers to carry out their work responsibilities fully and successfully;
- it enables parents to return to or stay in education or training programs; and
- it enables employers to compete and maintain productive workforces.

To help frame the debate on child care, I appointed a Departmental task force to examine the issue and how it is being addressed. Last week the report of the task force was released and I would be pleased to make it available to the Subcommittee. This document underscores the differences in child care needs, making it clear that no single initiative will be able to address all of the concerns we have identified. It is equally clear that business, labor, education, government at all levels, and parents must work together to develop the most appropriate responses to the issue.

In the coming months I will continue my efforts to focus public attention on the work force implications of the child care issue and to work with Departmental officials to take steps to create the environment for business, States and local communities to develop creative solutions.

I believe that we have a real opportunity to raise the consciousness of all sectors of our society regarding the quality of workforce and workplace issues I have mentioned. Legislative initiatives and Department of Labor programs cannot begin to address these issues meaningfully, alone. What is needed is to mobilize every sector of our society to address these issues. It is that to which I will devote myself during my tenure as Secretary of Labor.

Mr. Chairman, this concludes my prepared statement. At this time I would be pleased to answer any questions that you or other Subcommittee members may have.

Repesentative **Hawkins**. Thank you, Secretary McLaughlin. In terms of the child care, which I know that you're vitally concerned with, currently there is winding its way through the Congress a child care proposal. I'm not so sure whether you're familiar with it or not.

Unfortunately, it seems we have had very little participation from the Department in terms of shaping the child care policy and actually obtaining passage.

Is this an indication, this lack of desire to participate on behalf of something which may meet the approval both of the administration as well as congressional leaders?

I read a recent report and it seems a little bit critical, I would say, of what we seem to be doing. We don't seem to be moving in the same direction.

Have you any clarification of what direction you think the proposal should take?

Secretary **McLaughlin**. Mr. Chairman, I would hope that it's not critical. The report that I have asked for, and we have now pulled together, was an opportunity for the Labor Department, myself in particular, to start from the understanding of a data base of what was happening in States and local governments, what was happening in the private sector, and certainly in the Federal Government. Then to analyze the Bureau of Labor Statistics' recent report on mothers in the workplace.

We plan to use that as a basis for discussion certainly within the administration. The administration has not had a policy or put forth a program at this time. I will be moving with our report to the Economic Policy Council, which, as you know, is made up of several Cabinet officers; so that we can start to offer options to the President.

In the meantime, it is my hope, since the Labor Department does not have statutory responsibility for some of the Federal programs that are now directed at the child care issue, that I can still be part of the debate here on the Hill, with a body of information that will be helpful. It's my understanding that there are close to or over 100 bills on the Hill, all of them very well-intentioned, and I might add, addressing a different piece of the child care issue.

What we are pointing out is that there's probably not one solution for one problem. They're all different, because parents' needs are all different. So, I would look forward in the next months to working very closely with Congress. I'm not in a position today to say what the administration's views will be. We have not taken a position on any specific bill, but rather see merits in many of them and I hope that the report could shed some light on other areas.

Representative **Hawkins**. I'd certainly like to say that I think the participation of the Department of Education as well as the Department of Labor certainly would be welcome in terms of this issue, which I believe to be basic to many of the issues of concern.

For policy, usually we wait until the end of the road finally, when both Houses have acted, so that there is the possibility or the threat of a veto. I think we can avoid that many times if we begin together rather than wait until we get together along the way.

So we really invite your participation in the draft and in the discussions that will be taking place over time.

I note that many of the things that you have advocated by we, "we should do this, we should do that." I'm not so sure what "we" we happen to be talking about.

Much of what has been testified before this subcommittee relates to education, education and training; basically, to education itself.

And I've been a little surprised that, in the past, the matter of education and its role in shaping the work force of the future has largely been carried by the Department of Education.

Your predecessor, Mr. Brock, was extensively involved with this committee, the Joint Economic Committee, as well as the Education and Labor Committee, and was primarily the spokesman, it seemed to me, for the administration in terms of calling attention to some of the deficiencies in the field of education.

It seems strange. I'm wondering whether or not there is any collaboration between the Department of Education and the Department of Labor which would deal with the problems that I think are somewhat related to both Departments, as well as several others as well, rather than having one department saying one thing and another department approaching the same problem from a different angle.

What I'm asking, or suggesting, is:

What collaboration is there between these two Departments and others? Because it seems to me, if we are thinking that currently the Department of Education is doing its job in shaping the work force, than I think we would be sadly disappointed by the year 2000, if not before that.

It's pretty obvious that literacy, especially technical literacy and scientific literacy, is very badly underused, or let us say, in bad shape.

One of the recent international associations reported that there were some 17 other nations that were ahead of us in scientific literacy, which is very shocking.

So it seems to me that some of the things we are discussing aren't going to take place unless we begin to address these problems.

Now I know this is not strictly within your particular Department, but it does affect the training programs. It does affect many of the programs over which you have jurisdiction. And I'm wondering whether or not it might not be a good idea for some of the departments to get together and have some type of contractural relations to undertake the solution to some of these problems jointly.

Secretary McLAUGHLIN. Mr. Chairman, I'd like to address some of your points because I wholeheartedly agree with you concerning the need for the departments to coordinate.

Before my confirmation, visiting with Members here on the Hill, it struck me that there are two principal departments, with whom I should coordinate: The Department of Education and the Department of Commerce.

My feeling was that, in education, were are trying to educate our workers. But it's the Department of Commerce that should know what business needs are in the future.

In early January, I had a breakfast meeting with Secretaries Verrity and Bennett, which was the first of several we've now had.

The three of us will do exactly what I think you and others would like us to do, which is coordinate our programs.

At our first meeting, Secretary Bennett, Secretary Verrity, and I discussed the needs of business and future work force needs. That dialog is continuing, not only at the secretarial level, but, more importantly, at the support staff level, we have a number of programs such as the publication of the booklet, "The Bottom Line," which was prepared by the Department of Education, and which included Secretary Verrity in our press conference.

Mr. Jones is working now with staff at the Departments of Commerce and Education to put together a conference here in the early summer. The three of us plan to sponsor this conference so we can address these issues again collectively.

As I've gone around talking about the needs for a better work force, a quality work force, I point out that I'm not blaming the worker. I'm in part blaming management for not setting the tone for quality.

And, I'm also talking about the educational system, and the fact that business today is working more closely with local schools than ever before.

But I have come to realize that all of our institutions have sort of let us down, the family, education, business, and government, in the past 10 to 15 years.

And the "we" I refer to in my comments means the partnership of government, the private sector, and education. All have to address the problems that we'll be facing as we approach the year 2000.

Not one of those institutions, I feel, can go it alone. And it's only by working together that I feel we will be able to address the at risk youth, the dislocated worker, the women in the work force, and others.

In that spirit, the Deputy Under Secretary of Labor-Management Relations and Cooperative Programs, and I have met with the American Federation of Teachers, and I hope with other unions in the future, to see if successful labor-management programs in the business sector can be utilized in the education sector. For example, in Los Angeles, the Northrop Corp. is working with two Los Angeles schools with labor-management cooperation programs. I think that will also be effective as we again try to address what our needs will be in the future.

So I respect your comments and I hope that Labor, Education, and Commerce Departments will continue to utilize our resources to make a difference in both our educational system, and most importantly, in the business community for what will be needed in the future.

Bob Jones may have something to add on specific programs.

Mr. JONES. I think the level of the relationship, Mr. Chairman, between Education and ourselves, has increased dramatically in the last year or two under the leadership of all three Secretaries.

I think the issues this committee is addressing today—work force changes—has brought the attention of the systems together greatly. An examination as to how, in fact, these delivery systems can be put together to effectively address youth at an earlier age in the process is probably the theme that they're all concerned about.

Representative HAWKINS. Thank you.

Madam Secretary, in your prepared statement, you make reference to the trade bill and the inclusion therein of a minor $80 million work-related readjustment program, which I think all of us strongly supported when it was proposed almost a year ago.

We understand that there may be some difficulties, however, with the bill. Assuming that the bill is not approved by the President, is there any effort being made to address that problem independent of the trade bill. If—and I have a big if there—the President does not approve the bill, then what becomes of that much needed program?

Secretary MCLAUGHLIN. Well, Mr. Chairman, that's one of the sad things about the trade bill situation right now from our point of view because the WRAP program—I know that you've been most helpful on it and so many here have been, and it is needed—I guess, for the moment, is up in the air. I'll have to wait that out.

We are clearly conscious of your interest and the need at the employee level for this program. I don't have a single solution if the WRAP bill doesn't get passed in the trade bill. I don't have a single solution today.

Representative HAWKINS. I suppose we'd better leave it at that.

Another reference was made to the Job Training Partnership Act, which probably is the single most outstanding training program that we have. However, as you well know, the act only addresses about 4 percent of the target population than the need for such training.

We have heard much criticism in hearings before the Joint Economic Committee of the act being inadequate, being badly managed in many areas and not reaching, for example, youth in particular.

Is there any effort being made by the Department to make necessary changes in the act based on the experience we've had for about 5 years now. And we should know at least some of its deficiencies. We should at least have improved, I would assume, but the reports are not at all commendatory.

Are you satisfied that the act is fulfilling its primary purpose and whether or not particularly the most needy ones in need of training are actually being reached by the act?

Secretary MCLAUGHLIN. Mr. Chairman, I am gratified with many of the good results of JTPA that I've been able to see since being at the Department.

But, clearly, the system does need some fine tuning. The good news is that, for many youth—we have positive results—those who have entered employment, returned to school or entered advanced training, or acquired a youth employment competency. That was a 79 percent positive termination rate, seemingly a good rate.

For the dislocated worker program, the entered employment rate is 69 percent, and that is good.

But, there are four areas that we are looking at for what I would call some fine tuning, and we look forward to working with you on these issues in the future:

First, there is the need to improve the quality of the training offered under JTPA. Quality program design and service delivery is essential if we intend to enhance the employability of individuals who are at risk, or have chronic unemployment.

We have to bring those individuals who have been left behind into the economic mainstream.

Competency-based training, which uses standards to judge whether intended learning objectives have been achieved and provides frequent feedback to individuals about progress is, I think, one way to improve quality training.

But that kind of an approach supports another factor in improving the quality of training. That's the accountability or expectations of outcomes.

The second area for some fine tuning is the need to increase investments in basic skills. We feel that success in the labor market is directly related to basic skills attainment and basic skill requirements are indeed rising. In fact, the fastest growing jobs are in the professional, technical, and sales fields and place a premium on analytical and reasoning and problem-solving communications skills. It's tragic but true that there are those who can't read or aren't motivated to read, and are not going to be able to meet the needed skill requirements resulting from the changing workplace.

The third area is the need of families for child care. This is one area that I think is more recognized today than perhaps 5 years ago when JTPA began. Quality child care does enable workers to devote their full energy and attention to job responsibilities. And it's clear that child care programs have a role in JTPA in helping meet employment and training needs.

So we have called on many in the community who are working with JTPA to look at child care resources and policies, so that people can take advantage of the program.

Last, there's a need to strengthen linkages between JTPA and schools, community organizations, social groups, health agencies, and the private sector. These are groups, who, at times, can appear to be competing rather than coordinating their services.

State and local agencies need to make maximum use of the available resources and support networks to help individuals at risk rather than going off in their own direction.

I think that's one area that can stand improvement.

Mr. Jones may have some additional comments.

Representative HAWKINS. Mr. Jones, if you would care to.

Mr. JONES. Just two additional comments, Mr. Chairman. Specifically on your concern about numbers, we have for the last 3 or 4 years, as you've noted, been working very hard to increase the number of youth that are served by the system.

Those numbers now have reached the 40 percent figure that is contemplated by the legislation.

We have also been concerned, as you know, with the relationship between the numbers of high school graduates and dropouts that are being served. We have been slightly off the mark with the eligible population, but there has been improvement every year and we are going to continue to push in that direction.

We have recently made significant changes in our performance standards system, which bring to visibility the achievement of competencies, as the Secretary pointed out, in the area of basic skills and job preparation and literacy, which will enhance our ability to serve that particular targeted population.

We've also asked for several changes to collect more data on that particular population. We think those changes will significantly increase that issue.

There is another item that lies in front of your committee and your concerns in the next year or two as we address JTPA. The more we want to serve the most in need, the more we engage in significant training impacts, our costs are going to go up and the numbers of people we can serve will be depleted.

That's a very important issue for us to engage in as we invest more in the quality of what we deliver.

Representative HAWKINS. We keep saying "invest more," but it doesn't seem to me that there's a strong commitment for that investment. I don't see the additonal dollars being provided.

So, behind the rhetoric that we all use in terms of what we're going to do. But, obviously, apart from some policy changes, many times desirable, it's pretty obvious that we're not investing enough in the program. And, yet, there is always this constant tendency to recommend less as the need becomes greater.

As a result of that, some of us in our local communities are faced with serious problems that we're not reaching through some of these programs.

Now, I know we're getting over to the budget matters and there's a tendency to say that we have to balance the budget. Everybody says that. But I wonder sometimes whether or not it's wise to balance the budget to the neglect of some of these pressing needs.

In my city, the city of Los Angeles, last year, it did not use all of its money that was allocated for use in training. It was very difficult to explain to the people in my district, particularly the youth, who wanted opportunities, that the city had not used all of its money.

Is there any attempt made by the Department to at least provide technical assistance and, where necessary, to bring pressure on local communities that may need either the technical assistance to develop better programs, or at least the pressure to use the money when there is a tremendous need?

There was an old phrase first used that the Department put the money on the stump and ran away. This running away from the problem isn't going to solve it.

Mr. JONES. I think, Mr. Chairman, we have not done that. We have been engaged in a major technical assistance effort on youth program design and on delivery systems with Brandeis University and with those who have focused on youth models from around the country from our earlier employment and training experiences. As we speak today, work is going on related to model design, recruitment design, and other aspects of youth training and employment needs.

I would suggest that we have a new problem that's entered the dialog, too, although I'm not sure that Los Angeles is a good example. We have several others, as you know, where the youth population itself has changed rather dramatically.

And we are experiencing some problems in changing clientele and recruitment problems. We are working with those jurisdictions in addressing that issue.

Representative **Hawkins**. Well, I know there are many other questions that we could discuss. However, I do know, Madam Secretary, you'll be around for a long time.

Secretary **McLaughlin**. I hope so, Mr. Chairman.

Representative **Hawkins**. And we will take advantage of your administration and certainly look forward to having a dialog. We do have a lot of serious problems on which we don't precisely agree, but I do want to invite you to cooperatively join us in trying to reach any solution. I think one is long overdue.

I don't think the current trends are good, and I think we cannot wait for the year 2000. I think we've got to begin in 1989 to make some changes and to do something about some of the problems.

I certainly invite your participation and cooperation.

Secretary **McLaughlin**. Mr. Chairman, thank you so much. I value your leadership in having these hearings. Quite candidly, in a political year, it's hard to get people's attention on the future.

And in my tenure at the Department, I'm eager that we point it to the direction of the needs of the 1990's. The people we have talked about today are constantly on my mind.

They are our brothers and our fathers and our neighbors and our colleagues. They're real people. And if I can, working with you and working with the people in the Department, make a difference, I'd like that.

And I thank you very much for the time.

Representative **Hawkins**. Thank you.

And, thank you, Mr. Jones.

The next witnesses will consist of a panel which will be composed of Mr. William Harvey, president, Hampton University, Hampton, VA; Ms. Martha N. Ozawa, professor of social policy at Washington University in St. Louis; Mr. Arnold Packer, a senior research fellow of the Hudson Institute; Mr. Donald Hilty, corporate economist from Chrysler Corp.; and Mr. Rudolph Oswald, director, Economic Research Department, AFL-CIO.

Would those individuals whose names I called please be seated at the table.

May I again remind the witnesses that their prepared statements will be recorded in the record in their entirety. We hope the witnesses will deal with the highlights of their statement and leave time for what I am sure will be a very lively discussion and interplay among the witnesses.

We will deal with the hearing in a very informal manner and if some of the witnesses care to direct questions at each other, that would still be OK with us.

We will call again on the witnesses in the manner in which they were introduced, beginning with Mr. William Harvey, president of Hampton University.

I understand Mr. Harvey has been delayed and may come in somewhat later.[1]

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[1] See Mr. Harvey's written testimony beginning on p. 442.

We will hear from Ms. Martha Ozawa, professor of social policy at Washington University.

Ms. Ozawa, we welcome you.

STATEMENT OF MARTHA N. OZAWA, PROFESSOR OF SOCIAL POLICY, WASHINGTON UNIVERSITY, ST. LOUIS, MO

Ms. OZAWA. Chairman Hawkins, my name is Martha Ozawa. I'm professor of social policy at the Washington University, in St. Louis. I'm very, very pleased to testify on the subject of children in America's future.

For this occasion, I have prepared a full-length paper entitled "Children and America's Future." I have called for a new social welfare policy.

American history tells that it takes a national crisis before this country wakes up and makes drastic changes in the way to support this particular segment of society.

We did face a crisis in the Great Depression era. We then perceived a crisis in the 1960's. These crises resulted in sweeping legislation.

Going into the 1990's, we see every sign indicating that the United States will face a crisis once again. This time, the crisis will be on two fronts. On one front, we'll face drastic demographic changes resulting in an ever larger proportion of elderly and an ever smaller proportion of children.

On the other front, we will experience increasingly severe international economic competition. I expect that this forthcoming crisis will result in a new wave of legislation.

Facing such a new crisis, you must be very creative in envisioning a new type of social welfare policy so that today's children will become the future generations of productive workers.

I believe for the first time policymakers need to establish social welfare policy as an integral part of the Nation's social and economic development. In the past, as you know, social welfare policy for children has never been integrated with the economic policy of the Nation.

I wish to discuss three aspects of social policy concerns. First is about the demographic shift expected to occur in the future.

The second is about American children, their diminishing value to their parents.

The third is about the obsolescence of the welfare approach to supporting American children.

Finally, I wish to talk about a new policy direction that you might consider for American children.

The first problem you have to recognize is that the U.S. population is aging very fast. The median age is going up, the proportion of the elderly is increasing.

The other side of the problem of population aging is the diminshing proportion of children. Demographic shifts with regard to the nonwhite segment of the U.S. population will compound the problem.

I have just said that the population of children is decreasing relative to the other age groups. Among this shrinking child population, a greater proportion will be nonwhite children in the future.

I can draw two important implications from all of this. First of all, the public will have to carry a greater national burden to care for the elderly.

Second, the United States will need to develop a more productive labor force out of its shrinking population of young people among whom nonwhites will become a growing segment.

I cannot overemphasize the importance of developing human capital among nonwhite students. A study by the Bureau of Labor Statistics tells us that a larger and larger proportion of the future labor force will come from the nonwhite population.

These facts indicate that whether the United States can provide adequately for the growing number of elderly and, in addition, can compete in the world economy will depend heavily on how productive nonwhite children will become when they reach adulthood.

Indeed, you, the policymakers, must consider human capital development as the primary objective of social welfare policy and programs in the future.

Without the central focus, you cannot assure the quality of life for the Nation's elderly. You cannot compete in the world economy either.

While you can increase the imperative for human capital development among children, the realities paint a gloomy picture.

Within the family, children are no longer valued as much as they used to be. This in part has to do with industrialization and urbanization, and this in part has to do with the enactment of the Social Security Act of 1935.

You see, with Social Security and other retirement income programs that later developed, people depend less and less on their children.

On the other hand, if you raise a child, you have to spend an enormous amount of money to educate them. In short, you have seen the reversal of economic incentive for people to have children.

Unfortunately, American society in both public and private spheres has not taken action to counterbalance the eroding economic value of children to their parents.

For instance, this country does not have children's allowances that the majority of the world's countries do.

The real value of partial exemption under the new law is still the same as in 1955. Employers do not generally think about differentiating wages depending on the number of children the worker has, few employers provide maternity leave or child care.

Under such circumstances you cannot blame American women for not having many children. In the aggregate, American women are not bearing children in large enough numbers to ensure a stable population.

The birth rate among the higher educated women is even lower than average. For children, life in America is not so good. A greater number of children are growing up in female-headed families. This means that poverty is an ever-growing threat to American children.

Now, the poverty incidence of female-headed families is five times as high as the poverty incidence of intact families.

Currently, one out of every five children is poor. Beyond the feminization of poverty that everybody has talked about, you should realize that the problem for children is much broader.

Victor Fuchs argues that the living standard of families with children has gone down drastically in relation to the living standard of childless families.

All of this seems to indicate that the quality of life for all American children is going down. But, American society so far appears not to care.

What about the children themselves?

Unfortunately, but understandably, they are not doing well in their physical and intellectual development. You have heard various public and private organizations reporting the physical, mental, and intellectual decay of American children.

Facing the enormous tasks of ensuring the birth of an adequate number of children and the developing human capital among children, you need to develop a new vision, new purpose and a new set of programs for the Nation's children.

I strongly advocate that you do because I believe that the current welfare approach is inadequate, inappropriate, and counterproductive for achieving the objective of developing human capital among children.

Let me explain why.

First, when you take the welfare approach to supporting children, you are trapped by three divergent policy objectives.

One, providing adequate basic benefits.

Second, sustaining the incentive of parents.

Third, minimizing benefit expenditures.

Under such circumstances, you cannot support children wholeheartedly.

Second, when you take the welfare approach, your intervention on behalf of the Nation's children occurs too little, too late.

Third, when you take the welfare approach, your attention will not be on children but on their parents.

All welfare programs, and even reforms, become a vehicle to monitor and mobilize their parents to get out and work. In the meantime, you forget all about the children.

Fourth, the public attaches too much stigma to welfare children. If you really are concerned about the next generation of the productive labor force, this is not the way you care for children of low-income families.

What approach should you take?

I suggest you consider the public investment approach. You might appropriately state the goal for public investment in children as follows: The physical, mental, intellectual development of all American children.

With this goal in mind, you might consider programs for prenatal-postnatal care, income support for children, medical care in childhood, and high quality education.

Let me explain each one of them briefly.

Prenatal and postnatal care under this program. All expectant mothers would receive prenatal and postnatal care.

Income support. You should consider either refundable tax credits or children's allowances.

Access to basic medical care. You might establish health credits as an integral part of public school systems across the country. Or you might develop a children's health insurance program like medicare for the elderly and disabled.

High quality education. You all know that one reason for the uneven quality of public schools in the United States is that public schools are financed basically by local property taxes.

I suggest you find a way to decouple the relationship between the property value of localities and funding resources for public schools. Thus, you might consider allocating total State/National responsibility for public schools.

You might also consider using general funds to equalize funding resources between the States. I should stress that these suggested programs underscore a new vision of future social welfare policy for American children.

The new vision is built on three concepts. No. 1, the enhancement of equal opportunity. No. 2, future investment in children. No. 3, specific purposes for social welfare spending.

Also, you should know a clear shift in approach in the future. You should take the public investment approach, not the welfare approach.

The Nation is at the crossroads where it must decide how to meet an unprecedented social economic challenge. What it decides to do today will strongly affect its future.

We might as well say that our future depends on our children, and on how we develop the human capital of these children.

Our positive answer to that challenge will bring about apparent public partnerships that offer an opportunity for all of us in building a sound future for our country.

Thank you very much.

[The paper referred to in Ms. Ozawa's statement follows:]

CHILDREN AND AMERICA'S FUTURE:

A CALL FOR A NEW SOCIAL WELFARE POLICY*

A paper presented to the Joint Economic Committee,
the Subcommittee on Investment, Jobs, and Prices
Washington, DC, April 19, 1988

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*This paper is an adaptation of of "Toward Developing a National Social Welfare Policy for Children," in Daniel S. Saunders and Joel Fischer, eds., Visions for the Future: Social Work and Pacific-Asian Perspectives (Honolulu: Hawaii: The University of Hawaii Press, 1988); and "Nonwhite and the Demographic Imperative in Social Welfare Spending," Social Work, 31:6, (November-December 1986), pp. 440-447.

CHILDREN AND AMERICA'S FUTURE:
A CALL FOR A NEW SOCIAL WELFARE POLICY

The history of American social welfare policy indicates that a drastic reform in this policy accompanies a perceived societal crisis. The great depression of the 1930s forced the nation to embrace a comprehensive social welfare policy that resulted in the enactment of the Social Security Act of 1935. The civil rights movement and the discovery of "the other America" in the 1960s precipitated the second wave of explosive social legislation in this century, which resulted in the 1964 Economic Opportunity Act and the 1965 and 1972 Amendments to the Social Security Act, producing Medicare, Medicaid, Supplemental Security Income--and more.

Since the beginning of the 1970s, burdened by the lingering Vietnam War, demoralized by the Watergate affair, shocked by the oil crisis, and swayed by conservative ideology, the United States has been in an intellectual limbo with respect to establishing social welfare policy appropriate for meeting the changing needs. However, with drastic demographic shifts expected to occur in coming decades and with the United States facing increasingly severe economic competition now and in the future, the 1990s and the 2000s may bring a new wave of social legislation, growing out of a new approach for meeting new and critical needs.

In the past, U.S. social welfare policy has focused mainly on those in the population who were unable to function or were inadequately cared for under existing institutions--such as the economic institution, the family institution, the political institution, and the religious institution. That is, social welfare policy has been predicated on the assumption that social welfare provision should serve as a rescue operation and have a residual function in meeting human needs.

U.S. social welfare policy has also been predicated on the assumption that the rest of the society--that is, the segments of the population not targeted for social welfare provision--has nothing to do with social welfare policy, except that those nontargeted segments constitute a vital source of funding through their willingness to be taxed. In other words, U.S. social welfare policy has been pursued within a scheme of public charity--one segment helping another through the redistribution of resources.

Future social welfare policy will require a totally different orientation from that of the past because of two crucial problems: (1) the proportion of the elderly is increasing significantly and (2), as already indicated, the American economy is being challenged by other economies of the world than ever before. These two problems will force policy makers and the American public to have a new objective for social welfare policy. For the first time in its history, the United States will need to develop social welfare policy as an integral part of the nation's social and economic development.

How can this be done? How can social welfare policy become a positive force in the nation's economy and its social well-being? What kind of policy is needed to cope with the population explosion of the elderly and the stiffening international competition? All signs point in one direction: to the children. The new objective for social welfare policy must be to bring the nation's children up to their fullest potential; or, in other words, to develop to the maximum the human capital of the children of the United States. Indeed, the public interest in developing human capital among children is expected to grow as the public sees the diminishing economic value--hence the shrinking social place--of children at the micro level, that is, in the family.

This paper has four parts. First, it discusses demographic shifts and dependency ratios and their social welfare implications. Second, it explains how and why the social place of children is shrinking. Third, it points out why the welfare approach is inappropriate for meeting the changing needs of tomorrow's children. Fourth, it presents a vision of future social welfare policy focusing on the nation's children.

DEMOGRAPHIC SHIFTS AND SOCIAL WELFARE IMPLICATIONS

Like many other industrialized nations, the United States will face profound changes in demographic composition in coming decades. On all counts, the United States is aging. The median age, which was 31.5 years in 1985, is expected to reach 36.3 in the year 2000, 41.6 in 2050, and 42.8 in 2080.[1] As seen in Figure 1, the proportion of persons age 65 and over will increase from the 1980 level of 11.3 percent to 13.0 percent in 2000, 21.8 percent in 2050, and 23.5 percent in 2080. By the year 2050, over 16 million people--or 5.2 percent of the projected population--will be 85 and over. By the year 2080, the number will reach 18 million--or 5.9 percent.[2]

Figure 1 here

The rapid increase in the proportion of the aged in the population is anticipated in coming decades for three reasons: First, because a disproportionately large number of persons were born during the 2 decades after World War II, rapid growth in the aged population is expected after the turn of the century. Second, an anticipated decline in mortality rates will also increase the number of aged persons. Third, current and anticipated low birth rates will hold down the number of young persons.[3]

The shrinking population of children is a corollary to the growing population of the aged. As seen in Figure 1, children under age 18 constituted 35.7 percent of the population in 1960 but only 26.3 percent in 1985. Projections indicate that this young age group will be only 25.0 percent of the population in the year 2000, 21.6 percent in 2030, 20.9 percent in 2050, and 20.3 percent in 2080.[4] It is important to note that between 2030 and 2040, the line indicating the proportion of children will cross the line indicating the proportion of the elderly, so that by 2040 we will have more elderly persons than children.

Because of the sharply decreasing population of children in this country, the total dependency ratio--defined as the combined number of children and elderly per 100 working-age persons--will continue to decline slowly until the year 2010. But after 2010, the total dependency ratio will start climbing rapidly so that it will reach 74.8 in 2030, 74.6 in 2050, and 78.1 in 2080.[5]

Figure 2 here

Some might argue that as long as the total dependency ratio does not drastically increase in the coming decades, the growth in the aged population does not create a financial problem for the nation to deal with.[6] This argument holds true only in part, however. In the future, per capita public expenditures for the elderly will have to increase because of the growing number of old-old (those age 75 and over) and superold (those age 85 and over). Also, as argued later, per capita public expenditures for education and related items will have to increase in order to nurture each child more fully, so that he or she may become more literate and an ever more productive worker. Thus, the real problem is the changing composition within the dependent population: The aged will increasingly become a larger segment of it, while children will increasingly become a smaller segment. Thus, even in the environment of a constant total dependency ratio, public expenditures for the dependent population are bound to increase as long as the elderly segment within the dependent population continues to grow. In fact, however, the total dependency ratio itself is projected to increase after 2010 as Figure 2 shows.

Compounding the problem regarding the composition within the dependent population, nonwhite children will constitute an ever larger proportion of children. As Table 1 indicates, the proportion of nonwhite children will increase from 18.5 percent in 1985 to 24.0 percent in 2030, 25.2 percent in 2050, and 26.4 percent in 2080.[7]

Table 1 here

These demographic projections and their interpretation have two important implications. First, the public will need to carry a greater financial burden in order to care for the increasing number of the elderly. Second, the United States will need to develop a more productive labor force out of its shrinking population of young people, among whom nonwhites will become a growing segment. Let me elaborate on these points.

The public financial burden for supporting the elderly will be for three major items: social security, medical care, and long-term care. Expenditures for all three are expected to grow in the future. First, regarding social security: with the declining birth rate, increasing life expectancy, and the increasing rate of early retirement, the ratio of workers to beneficiaries will decline. It is projected that when the baby-boom generation retires, each beneficiary will have to be supported by only two workers compared with the current three. A study by Fuchs indicates that when the ratio of workers to beneficiaries declines to two to one, it will require a tax of 23 percent on production--compared with the 17 percent needed when the ratio is three to one--to ensure that beneficiaries receive an average income that is 60 percent of the after-tax average income of workers.[8] (The 1988 combined employee-employer tax rate for Old-Age, Survivors, and Disability Insurance is 12.12 percent.) Unless social security benefits are cut drastically--with ensuing hardship for many elderly--the rise in the tax rate can only be minimized by increasing the average earnings of those in the future work force.

Medical care for the elderly will require a growing public outlay. For instance, expenditures for Medicare grew at an average annual rate of 17.7 percent between 1970 and 1982 and they are projected to continue growing at an annual rate of 14.4 percent.[9] Furthermore, an increasing proportion of Medicaid funds are used to pay for medical care of the elderly. In 1986, as much as 37 percent of the $41 billion in Medicaid funds were spent for the nation's 3.1 million low-income elderly.[10] Since Medicaid is the only public program through which long-term care in nursing homes can be publicly financed, expenditures for this program are expected to accelerate in the future.

For these programs and others that benefit the nation's elderly, the federal government in 1984 spent $236 billion on behalf of the elderly. This amount constituted 28 percent of the total federal outlay, up from 23 percent in 1971.[11] Some estimate that as much as 35 percent of the federal outlay will be devoted to supporting the elderly by the year 2000.[12]

As already pointed out, the expected demographic shifts mean that there will be fewer workers supporting each retiree and, furthermore, future workers will be increasingly nonwhite. A recent study by the Bureau of Labor Statistics indicates that by the year 1995, nonwhite workers will constitute 14.3 percent of the labor force compared with 12.7 percent in 1985. The proportion of nonwhite workers in the labor force is expected to continue to grow beyond 1995.[13] This indicates that whether the U.S. can provide adequately for the growing number of the elderly will depend heavily on how productive nonwhite workers will be.

The impact of the growing nonwhite segment does not end there. On the one hand, nonwhites will be a larger proportion of the labor force in the future. And, on the other hand, they will also become a larger proportion of those who are out of the labor force. How can this happen? This complex demographic shift will occur because nonwhites, who are rapidly increasing as a proportion of the total population, will continue to have a rate of labor force participation lower than that of whites.[14] The difference in rate of labor force participation between young white men and young nonwhite men is startling. In 1985, only 60.2 percent of nonwhites age 16 to 24 were in the labor force, compared with 80.1 percent of their white counterparts. Projections indicate that the difference will widen further, so that in 1995 only 54.5 percent of nonwhites in this age bracket are expected to be in the labor force, compared with 80.9 percent of whites.[15]

Many of those working-age nonwhites who stay out of the labor force will join the ranks of social dependents. Moreover, high unemployment among nonwhites will create additional social dependents out of those who are in the labor force. In practical terms, this signals an increasing number of nonwhites who will depend on public transfers, such as Aid to Families with Dependent Children (AFDC), Food Stamps, Medicaid, and public housing. Let alone not contributing to the social security system, those social dependents will take away public financial resources.

The implications of the demographic projections for children, and for nonwhite children in particular, are profound. If the U.S. is to maintain its commitment to adequate support of the elderly, policy makers will need to see to it that all children--especially nonwhite children--are brought up to their fullest potential so that they will become productive workers. Indeed, human capital development will have to become the primary objective of social welfare policy and programs. Besides what it does for the elderly, success in achieving this objective will directly contribute toward helping the United States meet the challenge of other national economies by making the U.S. labor force more competitive than it is today.

THE DIMINISHING SOCIAL PLACE OF CHILDREN

Thus it seems evident that the future of the United States will be determined largely by its ability to raise its children to their fullest potential. The nation's predicament will be heightened because Americans, individually, have been showing less interest in bearing and rearing children. To make it worse, American society has not taken action to counterbalance the eroding economic value of children to their parents. Let me elaborate.

The functions and value of American children--like those of the children in many industrialized societies--have changed enormously within the family. Before the onset of industrialization and urbanization in the United States, children's economic value to parents was enormous. They worked side by side with their parents in farming and in cottage industries. They provided their parents with old-age security when parents could no longer work. The situation is quite different now. Children no longer participate in the family's economic activities. Further, by instituting social security programs to provide old-age income and health care, American society has reversed the incentive equation of having children. Since social security taxes are imposed on every worker and since the eventual benefits received in old age do not depend on whether the worker has brought children into this world, workers can improve their current standard of living and suffer no loss later by not having children.[16] This reversal of the economic incentives for having children is felt even more acutely as the cost of raising a child escalates. It was estimated that in 1980 the average total cost of raising a child was between $100,000 and $140,000. (This estimated cost included both the direct costs of raising a child and the earnings forgone by parents.)[17]

While the economic utility of children to parents has been declining, American society--in both public and private spheres--has not taken action to counterbalance the eroding economic value of children to their parents. The United States has not instituted children's allowances, as the majority of the world's countries have done. It has neglected to increase the value of the personal exemption per child to keep up with inflation. In nominal terms, this exemption was $600 in 1955; $1,080 in 1985. In real terms, the 1985 figure was only one-half the 1955 figure. As a result, the effective tax rates of families with children increased 43 percent, while the rates of other families did not.[18] Even under the new tax law, the personal exemption per child of $2,000 will barely reach the 1955 level in real terms.

Economic establishments in the private sector have largely ignored the existence of children in developing wage and benefit structures. They do not differentiate wages and salaries according to the number of the worker's dependent children. Few establishments provide maternity leaves, paid or unpaid. Few discern the need for child care. The reward system is strictly based on the individual worker's productivity and contributions. In short, private economic establishments relate to individuals, not families.

Although the children's economic value to their parents has declined, some argue that the psychological benefits of having children have increased. Children offer parents new experiences and stimulation. Children are a source of joy and a diversion from adults' troubles.[19] Children offer hope for the future. Yet an environment of high-pressure living in families with both parents working--let alone in female-headed families--makes psychological relationships between parents and children extremely vulnerable. Unless children smile at the right moment, behave appropriately, accede willingly to parents' plans for them, and just don't create many problems, the psychological benefits of having children may quickly turn into a nightmare of liabilities. Since parents must continue to be responsible for the care of their children--whether the mother and father are ill, working, separated, divorced, or whatever--the children may become targets of abuse and neglect. In 1984, 1.7 million cases of child abuse and neglect were reported.[20] The actual number may have been higher.

American women--balancing the economic devaluation in having children on the one hand and the psychological benefits of having them on the other--are choosing to have a small number of children, or none at all. The current total fertility rate in the U.S. (that is, the average completed fertility per woman) is down to 1.8 children. A rate of 2.1 children is needed to maintain a stable population beyond the year 2030. Put another way, the U.S. total fertility rate today is only half the rate recorded in 1957, the peak year of the baby-boom era.[21] White women have fewer children than nonwhite women; the more educated have fewer than the less educated.[22]

Besides the fact that a decreasing number of children are being born, perilous life paths await the newborn. The probability is high that they were born out of wedlock. In 1984, 592 per 1,000 black infants and 134 per 1,000 white infants were born out of wedlock.[23] Furthermore, out-of-wedlock births are heavily related to teenage pregnancy. Then too, even if the children are born to an intact family, many end up living with one parent--most often the mother--as a result of divorce. Currently one out of every two marriages is expected to end in divorce.

The feminization of poverty, caused by rising divorce and illegitimacy, is a strong force behind the economic plight of the nation's children. In 1986, 19.3 percent of families with children under 18 were female-headed, compared with only 7.1 percent in 1960. (The proportion is particularly high for blacks: 47.6 percent in 1986, compared with 20.8 percent in 1960.[24]) Currently, one of every five children lives with a mother only.[25] The poverty incidence for female-headed families with children is almost 5 times as high as the poverty incidence for intact families with children (45.4 vs. 8.9 percent in 1985).[26]

The economic plight of children is not attributed to the feminization of poverty alone. The cause seems to be a more pervasive phenomenon. A recent study by Fuchs shows that there is an economic disadvantage in the simple fact of being a child. Per capita household income available in 1984 to children was only $6,638 compared with $11,287 for adults. The relative income level of children has worsened steadily for the past 20 years. This is reflected in the increasing ratio of the poverty rate of children to the poverty rate of adults. The ratio was only 1.34 in 1959; it was 1.87 in 1984. Fuchs' study reveals another startling fact: A smaller and smaller percentage of adults live with children. In 1959, 54 percent did; in 1984, only 43 percent did.[27]

Fuchs' findings indicate that in general households with children are finding it difficult to maintain economic sufficiency. Their income does not increase proportionately as the number of children increases. Worse, the average income of households with 4 or more children in 1984 was actually less than that of households with no children. While children and their parents had gone through a deteriorating economic situation, adults without children had enjoyed continuing affluence even during the economically sluggish period of 1979-1984.

The physical, mental, and intellectual decay of the nation's children has been reported by several federal agencies. The National Council of Organizations for Children and Youth and the U.S. Congress Select Committee on Children, Youth, and Families report that both physical and mental health problems of American children as a whole increased during the past two decades.[28] The National Commission on Excellence in Education states that, for the first time in American history, the educational skills of the current generation of children will not surpass, will not equal, will not even approach those of their parents.[29] As though to validate the Commission's assertion, the Congressional Budget Office reports that average scholastic achievement test scores of school children started declining in the mid-1960s and hit the bottom in the late 1970s.[30]

The challenge facing the U.S. macro system is clear. Economic competitiveness, political power, and the general viability of the United States cannot be preserved unless enough children are born to assure a stable population and unless children brought into American society are nurtured optimally. But what is actually happening at the present time? In reality this society is heading in the opposite direction with regard to both these conditions: the birth rate is too low to assure a stable population and it is still declining; also, the nurture of the children born is declining rather than rising toward its optimal potential.

INAPPROPRIATENESS OF THE WELFARE APPROACH

Facing the enormous task of ensuring adequate child births and developing human capital among children, policy makers need to develop a new vision, a new purpose, and a new set of programs for the nation's children. I strongly advocate this, because I believe that the current welfare approach to ensuring the minimum floor of decency in rearing children is inadequate, inappropriate, and counterproductive. Here is why.

First of all, all welfare programs make policy makers trapped by three divergent policy objectives: (1) providing adequate basic benefits, (2) sustaining work incentives, and (3) minimizing benefit expenditures. Policy makers can meet two objectives, but not three at the same time. For instance, to maximize work incentives of recipient families _and_ provide adequate basic benefits for those who have no income of their own, policy makers have to settle for larger expenditures. Similarly, to minimize expenditures _and_ at the same time provide adequately for families with no income of their own, policy makers have to settle for weaker work incentives. Being trapped in such a policy trade-off is analogous to having to press an automobile accelerator and a brake at the same time. Therefore, under welfare programs, children cannot be supported wholeheartedly.

Second, welfare programs intervene in the lives of children too little too late. That is, social provision occurs only when the working status and the level of earnings of the household head meet the eligibility requirements. Under AFDC programs of one half of the states, families must be broken before assistance is provided to their children. By that time, the quality of life of children often has deteriorated beyond repair.

Third, welfare is an only indirect, and ineffective approach to supporting children. Because social provision under welfare occurs contingent upon the working status and the level of earnings of children's parents, all welfare programs inevitably and eventually become a vehicle to mobilize the parents toward greater participation in the labor market. Massachusetts' Employment and Training Choices (ET) and California's Greater Avenues for Independence (GAIN) are good examples. Such an reform movement may have merit of its own. However, we should not forget a side effect of taking the welfare approach to supporting the nation's children; under welfare programs, almost by design, little attention is paid to the care and development of the children living in welfare families.

Fourth, there still is a great deal of social stigma attached to welfare programs. Welfare families are seen as deviant families who threaten the traditional value of self-sufficiency and hard work. Heads of welfare families are under constant scrutiny regarding their motivation to work, honesty in reporting their income, and so on. Under these circumstances, children growing up in welfare families will have tough time developing a sense of self-worth and identity.

When we place the current welfare policy and the treatment of children growing up in welfare families in the broader context of children's social place in the changing families life of the United States, we cannot ignore the great gap between what this nation is doing for its children and what it really should be doing. Earlier, I alluded to the fact that the social place of children is shrinking; therefore some forms of aggressive public intervention are called for if American society is to ensure the coming of a next generation large enough in number, and with mental and physical vigor. In contrast, the current policy stance is negative even in providing the basic floor of income and services to the nation's poorest children.

THE NEED FOR A NEW APPROACH

What new approach should the United States take? The new approach--let us call it "the public investment approach"--should be an antithesis of the welfare approach. Under the public investment approach, public spending would be justified, not because certain segments of society need a public handout but because taxpayers regard it as wise to invest in the nation's children. They would have come to see that such an investment would not only be in the interest of the children and the nation but in their individual interest as well. Unlike welfare programs, which generally target benefits to low-income families, public investment programs would target benefits to all children regardless of family income level. When spending is targeted to children, this ensures benefit provision independent of parents' employment status or level of earnings. As a result, government resources--financial, personnel, and material--would be mobilized toward achieving the goal of the program: the physical, mental, and intellectual development of children.

Under the public investment approach, a package of public programs would be developed, all of which would be directly related to achieving the stated goal. Programs would deal with the provision of prenatal and postnatal care, cash payments, medical care in childhood, and high-quality education.

Prenatal and postnatal care. Under this program, all expectant mothers would receive free prenatal and postnatal care. The government might contract with private physicians to provide needed services, or it might hire physicians for this purpose. To facilitate the participation of all mothers, maternity cash benefits might be provided beginning six months before and ending six months after the birth of a child.

Cash payments. All children would receive flat-amount cash payments. The payments might take the form of either refundable tax credits or children's allowances. (As I discussed elsewhere, there are advantages and disadvantages to either approach.[31]) The level of payments might be set at the poverty line--that is, the amount necessary to support a dependent who is living in a poverty-line household. I believe that a flat-amount payment plus child support payments through a vigorous enforcement measure would constitute a respectable floor of income even for children in female-headed families.

Free access to basic medical care. A health clinic might be established as an integral part of the public school system. For example, each school district might establish a health clinic that would provide basic medical care for all infants, preschool children, and school children. Or, the government might develop a heavily subsidized health insurance program for children, financing of which could be fashioned after the Supplemental Medical Insurance program for the elderly and disabled (Part B of Medicare).

High-quality education. Per-pupil spending for education in the United States depends heavily on property taxes as a fiscal source. Thus, the first order of educational reform might be to change the way public schools are financed. That is, the amount of public money spent for a particular school district should be made independent of the value of properties in the district. One way to do this would be to make each state government totally responsible for financing all schools within the state. The federal government might provide funds for equalizing interstate differentials in funding resources. Of course, increased funding alone would not guarantee improvement in the quality of education: however, it would at least help attract more qualified teachers to low-income school districts where disproportionate numbers of nonwhite children are located.

If policy makers decided to adopt these new programs, current welfare and related programs, including AFDC, could be either eliminated or scaled down drastically. The portion of SSI that deals with disabled children could be eliminated. Medicaid could concentrate on the aged and disabled poor. The government might altogether revamp the Food Stamp program and public housing assistance. Dependent benefits for children under social security could be eliminated. Personal exemptions for children could be curtailed.

The programs I suggested constitute a minimum set of programs to implement the idea of public investment in children. Depending on the degree of public commitment to such an idea, policy makers could develop a more comprehensive system of programs including day care for preschool children, after-school day care for school children, and greater public support for college education.

These suggested programs underscore a new vision of future social policy for children. The new vision is built on three concepts: (1) the enhancement of equal opportunity, (2) future investment in children, and (3) specific purposes for social welfare spending. They are concepts that contrast sharply with the antipoverty objective and its assurance of equal result, its promise of immediate remedy, and its diffuse purpose, which academics and policy makers have pursued during the past 20 years.

With this new philosophical foundation, future social welfare policy for children will rest on the proposition that the public has a vested interest in seeing to it that all children are cared for and nurtured to become literate and productive members of society. To bring this about, the public will need to support programs with specific purposes of developing children. In effect, then, parents and the public will develop a partnership in raising children.

This is a quite a departure from the current social policy for children, operating through a welfare situation in which public handouts are given to socially dependent children by the economically powerful.

Indeed, a new national social welfare policy may signify a new era of pro-children policy. Given the economic imperative of developing a productive work force and given the demographic imperative of supporting a growing elderly population, a movement toward establishing a new social welfare policy with a strong pro-children stance is altogether appropriate for policy makers to consider in the 1990s and beyond, In fact, it is crucial that they adopt such a policy.

The nation is at a crossroads where it must decide how to meet an unprecedented socioeconomic challenge. What it decides to do will strongly affect its future. We might well say that its future depends on its children and on how it develops the human capital of those children. A positive answer to that challenge will bring about a parent-public partnership that offers a task and an opportunity for all to share in building a sound future for our country.

FOOTNOTES

1. U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952, Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080 (Washington, D.C.: U.S. Government Printing Office, 1984), Tables C and F, pp. 6 and 8; U.S. Bureau of the Census, Statistical Abstract of the United States, 1987, (107th edition), (Washington, DC: Government Printing Office, 1986), Table 13, p. 14.

2. Ibid., Table 6, p. 92.

3. Virginia P. Reno, "Women and Social Security," Social Security Bulletin, 48(2), (February 1985), pp. 17-26.

4. U.S. Bureau of the Census, Current Population Reports, Series P. No. 952, Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080, Table F, p. 8; U.S. Bureau of the Census, Statistical Abstract of the United States, 1987, Table 13, p. 14.

5. Ibid., Table D. p. 6.

6. See, for example, William Crown, "The Prospective Burden of an Aging Population," Of Current Interest, 4:1 (October 1984), pp. 1-3; and James H. Schulz, "Voodoo Economics and the Aging Society," Of Current Interest, 6:2 (November 1986), pp. 1 and 8.

7. U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952, Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080, Table 6, p. 41-106.

8. Victor R. Fuchs, *How We Live: An Economic Perspective on Americans from Birth to Death* (Cambridge, Mass.: Harvard University Press, 1983), p. 204.

9. U.S. Congress, Congressional Budget Office, *Changing the Structure of Medical Benefits: Issues and Options* (Washington, D.C.: Congressional Budget Office, 1983), pp. 1-2.

10 U.S. Department of Health and Human Services, Social Security Administration, *Social Security Bulletin: Annual Statistical Supplement, 1987* (Washington, D.C.: Social Security Administration, 1987), Tables 169 and 171.

11. U.S. Bureau of the Census, *Statistical Abstract of the United States: 1987* (107th edition, Washington, D.C.: U.S. Government Printing Office, 1986), Tables 427 and 580, pp. 249 and 344.

12. Alan Pifer, "Final Thoughts," *Annual Report 1982* (New York: Carnegie Corporation of New York, 1982), p. 7.

13. U.S. Department of Labor, Bureau of Labor Statistics, *Economic Projections to 1995*, Bulletin 2121 (Washington, D.C.: U.S. Government Printing Office, 1984).

14. Projections based on intermediate assumptions indicate that the rate of labor force participation among whites is expected to be 68.3 percent in 1990 and 68.8 percent in 1995. Comparable figures for nonwhites are 65.8 percent in 1990 and 67.0 percent in 1995. Even if the participation rates of whites and nonwhites are the same, the population increase among nonwhites results in a faster growth in the number of nonwhites who stay out of the labor force. Thus, nonwhites will constitute a larger proportion

of those out of the labor force even if their labor force participation is as high as that of whites.

15. U.S. Department of Labor, op. cit.

16. Allan C. Carlson, "What Happened to the Family Wage?" The Public Interest, No. 83 (Spring 1986), p. 7.

17. Viviana Zelizer, "The Price and the Value of Children: The Cost of Children's Insurance," American Journal of Sociology, 86:5 (March 1981), p. 1038.

18. Carlson, op. cit., p. 11.

19. Lois W. Hoffman and Jean D. Manis, "The Value of Children in the United States: A New Approach to the Study of Fertility," Journal of Marriage and the Family, 41:3 (August 1979), p. 587.

20. U.S. Bureau of the Census, Statistical Abstract of the United States: 1987, Table 277, p. 162.

21. U.S. Department of Commerce, Bureau of the Census, Population Profile of the United States, 1983/84, Current Population Reports, Special Studies, p.8; and U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952, Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080, Tables A-4, A-5, and A-6, pp. 130-132.

22. Robert T. Michael, "Education and the Derived Demand for Children," Journal of Political Economy, 81:2, Part II, (March-April 1973), pp. S128-S164; Robert J. Willis, "A New Approach to the Economic Theory of Fertility Behavior," Journal of Political Economy, 81:2, Part II, (March-April 1973), pp. S14-S64.

23. National Center for Health Statistics, "1984 Births by Marital Status by Age by Race by State," Public Health Services,

National Center for Health Statistics, Hyattsville, MD (mimeographed).

24. U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 419, Household and Family Characteristics, March 1986 (Washington, DC: U.S. Government Printing Office), Table F, p. 9.

25. U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 410, Marital Status and Living Arrangements: March 1985 (Washington, DC: U.S. Government Printing Office, 1986), Tables 4-5, pp. 28-35.

26. U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 158, Poverty in the United States, 1985 (Washington, DC: U.S. Government Printing Office, 1987), Table 3, p. 17.

27. Victor R. Fuchs, "Why Are Children Poor?" Working Paper Series, No. 1984. Washington, DC: National Bureau of Economic Research, Inc. July 31, 1986.

28. National Council of Organizations for Children and Youth, America's Children 1976: A Bicentennial Assessment (Washington, DC: National Council, 1976); and U.S. House of Representatives, Select Committee on Children, Youth, and Families, Children, Youth, and Families, 1983: A Year-End Report, 88th Cong., 2nd sess. (Washington, DC: U.S. Government Printing Office, 1984).

29. Quoted by Charles Murray, Losing Ground: American Social Policy 1950-1980 (New York: Basic Books, 1984), p. 101.

30. U.S. Congress, Congressional Budget Office, Trends in Educational Achievement (Washington, DC: Congressional Budget Office, April 1986).

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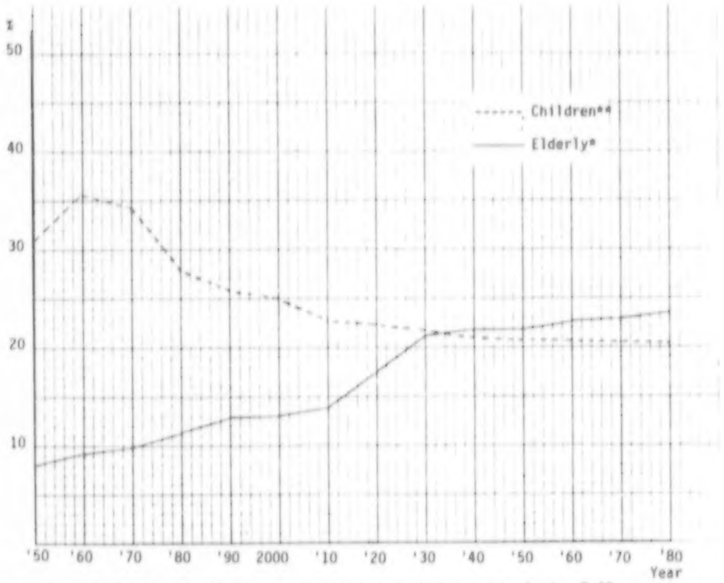
Figure 1

PERCENTAGES OF CHILDREN AND ELDERLY, 1950-2080

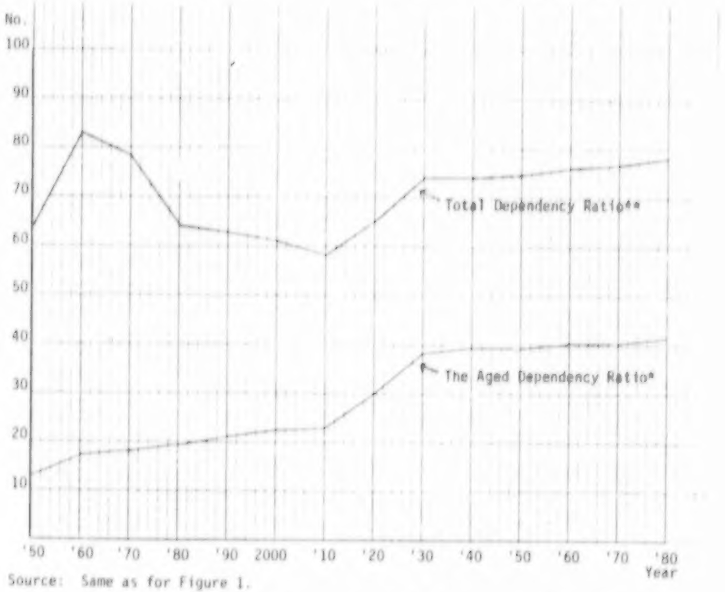


Source: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952, Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080 (Washington, DC: U.S. Government Printing Office, 1984), Table 6, pp. 41-106.

* Children refers to persons age 17 or under.
**Elderly refers to persons 65 years of age and over.

Figure 2

THE AGED DEPENDENCY RATIO AND TOTAL DEPENDENCY RATIO, 1950-2080



Source: Same as for Figure 1.

* The number of persons aged 65 or over for every 100 persons aged 18 to 64.
**The number of persons aged 17 or under plus those aged 65 or over for every 100 persons aged 18 to 64.

Table 1

PROJECTED DISTRIBUTION OF U.S. CHILD POPULATION BY RACE, 1985-208 (percentage)

Year	U.S. Child Population* White	 Nonwhite	Total
1985	81.5	18.5	100.0
1990	80.7	19.3	100.0
2000	79.4	20.6	100.0
2010	77.8	22.2	100.0
2020	76.8	23.2	100.0
2030	76.0	24.0	100.0
2040	75.2	24.8	100.0
2050	74.8	25.2	100.0
2080	74.6	26.4	100.0

Source: Same as for Figure 1.

* Children refers to person age 17 or under.

Representative **Hawkins**. Thank you, Ms. Ozawa.

The next witness will be Mr. Arnold Packer, senior research fellow at the Hudson Institute.

Mr. Packer, it's a delight to see you again, and we welcome you this morning as a witness before the subcommittee.

STATEMENT OF ARNOLD H. PACKER, SENIOR RESEARCH FELLOW, THE HUDSON INSTITUTE

Mr. **Packer**. Mr. Chairman, thank you. It's a pleasure to be here before you. I guess it's been 10 years since I had the opportunity to work with you on the Humphrey-Hawkins legislation. And it's a pleasure to be before you again on an important issue that the country faces.

Your letter of invitation made the observation that the Nation will fall short unless changes are made. That observation is right on target.

Today, U.S. workers are the most productive in the world. But, by the year 2000, that will no longer be so unless we make important changes.

To document that, I would refer to the report of the National Assessment of Educational Progress, who examined 3,600 young persons between the ages of 21 and 25.

They found that 40 percent of whites, 60 percent of Hispanics, and 75 percent of blacks could not locate information in a news article or in an almanac.

They called that prose illiteracy. Sixty-six percent of whites, 80 percent of Hispanics, and 92 percent of blacks could not figure out the change for a two-item restaurant meal. They called that quantitative illiteracy.

Seventy-five percent of whites, 93 percent of Hispanics, and 97 percent of blacks could not interpret a bus schedule, according to their results, a problem they refer to as document illiteracy.

Clearly, a strong back and willing hands no longer suffice. That was the conclusion of the report that we at Hudson published on the "Workforce 2000," in which we tried to describe the shape the Nation would be in if we continued to grow at 3 percent a year.

We found that jobs more and more require college credentials, but more importantly, they required the ability to handle information.

As you may know, the Department of Labor measures the requirements of 12,000 positions in the dictionary of occupational titles. A level-one job requires a reading vocabulary of 2,500 words. Level-six jobholders can handle techincal journals or financial reports.

Our work in the "Workforce 2000" was to project what the requirements would be.

Forty percent of the 26 million jobs that are expected to be created between 1985 and the year 2000 will be professional or technical positions requiring language skills of four or better.

Almost all of the rest are in marketing and sales, administrative services and similar positions, which require language skills between 2.5 and 3.9. Only 2 percent require language skills less than

2.5. Yet, the national assessment's results indicated that the average 21- to 25-year-old only measures 2.6 on the scale.

To get to the bottom line, we have to train 26 million people between 1985 and the year 2000 and bring them from an average of 2.6 to an average of 3.6, almost a 40 percent increase.

The productivity goals require more workplace literacy than 21 to 25 year olds have now.

I'd like to spend the next few minutes talking about some solutions to those problems. The Labor Department last year financed six demonstration projects. One is going on in downtown New York.

There workers from eight different unions come to a facility operated by the Consortium for Literacy, a consortium of those eight unions.

The workers find it easy to come because they know their union-run operations will treat them with dignity. They also come because new training technologies are in use. Interactive video disks are being used there to teach basic literacy and English as a second language.

We only have some of the early results, and we show substantial improvement in workers' own assessment of their reading comprehension, their writing and their oral language and self-monitoring of errors.

Perhaps more important, there are substantial increases in the students' feelings regarding confidence and aspiration for further jobs.

One of the other demonstration projects is right here in Washington, DC, at the Multi-Cultural Career Intern Program, a high school that serves immigrants from 40 different countries.

They, too, are using interactive video disks to teach basic literacy and workplace English. A third experiment is now underway in Milwaukee. It's Jobs for Progress, emphasizing a family approach, Mr. Chairman, in which both mothers and children are having their literacy improved. And day care is involved in the program. And it's an attempt to treat the family with real programs and not the rhetoric that often substitutes for such programs.

Three other projects will deal with the creation of new materials for interactive video disks. One of those is with the GM–UAW Training Center.

As you know, the automobile industry has negotiated a nickel fund in which there has been creation of training centers run jointly by the union and the company.

One of the projects we have has been the UAW–GM Human Resource Center, which is producing a course to teach literacy and information processes one needs to work in the automobile industry of the future.

A fifth project is with the Ford-UAW Group Training Center in which the attempt there is to teach literacy in mathematics in the workplace.

And the final one is with Domino's Pizza. That is a very interesting company. Next week, they're going to run a Leaders in Literacy Conference in Ann Arbor to try to bring together corporate people to do a little bit of what's necessary to provide literacy training that American workers need.

I'd like to give one example of the sort of organization Domino's is. They run an olympics every year. And the contests are things such as scraping pizza pie pans or running forklift trucks. The winners get $5,000, an olympic ring and sit on the executive board of the company for a period of time.

Perhaps more important than all of that, it indicates the company's honoring of the work that's done there. And it's in that spirit that the literacy projects go forward.

I'd like to talk lastly about some next steps. We did see the Labor Department and the Department of Education coordinate. It's been one of the first examples of their coordination where they accomplish the bottom line basic skills of the workplace.

They call for the best use of the Nation's human resources. They recognize what we have to recognize: that workers want to learn literacy in the workplace; how to use an invoice, how to evaluate make or buy decisions, things of that sort.

You cannot teach adults with the same approaches in the same context that you teach children. One must recognize the dignity of adults, provide them with the ability to control their own instruction, which is why the computer and interactive video disks are so adamantly suitable.

They provide autonomy for the worker. Again, we cannot use the same programs that we use for children. We must develop programs as is being done in these six demonstration projects.

I think, Mr. Chairman, that it's a shame that the Defense Department can have a major R&D effort about training and the Labor Department does not engage in such R&D activities.

We need a substantial program of research and development to do a number of things—to get computer hardware that's better suited for these purposes. Second, to get better measures of what skills are needed in diverse workplaces.

You need in a hospital to be able to read a chart. And you need in a shipping room to be able to read an invoice. We need some analysis of what truly is needed.

We must do work with the cognitive scientists so that we can build artificial intelligence and expert systems into these courses. We must finance the development of courses such as the ones I mentioned, so that we can have a full library of appropriate courses.

We need to know much better than we know now how technology should best be used in the very organizations that provide instruction. We need to develop new organizations. The Consortium for Literacy is one example. The arrangements between the UAW and the automobile companies is a second example.

But more must be done. We must encourage business to provide literacy instruction at the workplace. The situation in Los Angeles is a good example in which, given the state of the public transportation system, to ask a single parent to work 40 hours a week and then go home and go out at night to adult basic education and to try to travel across Los Angeles, is just unrealistic.

How much better it would be if the literacy instruction could be provided at the workplace? Or, if not there, at least at the local school.

And I should mention, Mr. Chairman, that we've been working with the Los Angeles Unified School District, who has put in a proposal to the Labor Department to try to do some of these new things. And that proposal has been blessed by the new Superintendent of Schools at Los Angeles Unified.

Finally, we must look for a way to take what is learned and build on it. We need a program to train 2 million persons a year at $1,000 a person. It's a $2 billion a year program if we're going to maintain our economic growth and productivity. Some of that money already exists in JTPA, Adult Basic Education, and similar programs.

But we must make this program much more widespread in its effectiveness. The demonstrations I talked about only touch a very small portion of what is required. The bottom line is we must start now to improve the literacy in the workplace and the information capacities of 2 million people a year if we're going to achieve our economic goals.

I think you, Mr. Chairman.

[The prepared statement of Mr. Packer follows:]

PRLPARED STATEMENT OF ARNOLD H. PACKER

MR. CHAIRMAN. It is a pleasure to appear before you this morning and an honor to be part of this important series of hearings.

Your letter of invitation asked me to comment on the education, employment and training policy needed to prepare the labor force for the year 2000 and beyond. Your observation that the nation will "fall short...unless changes are made..." is right on target. Today, U.S. workers are the most productive in the world; but, unless workplace literacy improves markedly, they will lose that honor by the year 2000.

THE PROBLEM

The trade figures released last week are but one indication of the problem. Economic growth, reducing poverty, and a rising living standard all require investment in our human resources. Twenty-five million American adults must learn to process information more effectively. By one measure, they must improve by almost 40%, if economic growth of 3% annually is to be achieved. We come to these conclusions by comparing the workplace literacy of today's 21 to 25-year olds to the composition and requirements of the work force in the year 2000, as forecast by the Hudson Institute.

The National Assessment of Educational Progress (NAEP) recently interviewed 3600 persons between the ages of 21 and 25. NAEP analyzed these young adults' ability to decipher documents, numbers and the spoken word, as well their ability to read prose. NAEP found that:

- 40% of whites, 60% of Hispanics, and 75% of blacks could not locate information in a news article or almanac (prose literacy);
- 66% of whites, 80% of Hispanics and 92% of blacks could not figure the change for a two-item restaurant meal (quantitative literacy); and
- 75% of whites, 93% of Hispanics, and 97% of blacks could not interpret a bus schedule (document literacy).

Clearly, a strong back and willing hands suffice less and less. This was the conclusion of Hudson's WorkForce 2000 report. The report described the economy's future shape *if* economic growth of approximately 3% is achieved and the country's competitiveness is maintained.

This optimistic forecast requires higher-skilled, better-educated workers who are more productive at their jobs. More than half of the new jobs will require some college, compared to 42% of current jobs. College credentials, however, are less important for productivity than the ability to process information at the workplace.

The Department of Labor (DoL) measures the requirements of 12,000 jobs, assigning a rating of one to six to each job title. A Level 1 job requires a reading vocabulary of 2,500 words and the ability to write a simple sentence. Level 6 job-holders can handle technical journals, financial reports, and legal documents. To obtain a common measuring stick for what follows we asked the Labor Department to also rate the language skills required to answer correctly the questions that NAEP asked their sample of 21-25 year olds.

The Work Force 2000 report includes projections, by industry, of the number of workers in various jobs. For example, we project that jobs in the Health Diagnosing and Treating Occupations will grow by 53% between 1984 and 2000 while jobs as Machine Setters, Operators, and Tenders fall by 8%. Because a DoL language-skill rating has been assigned to each of these jobs we are able to also project the future skill requirements.

Thus, of the net job growth of 26 million expected between 1985 and 2000, we project that:

- approximately 40%, or 10 million jobs, are projected to be professional or technical positions requiring language skills of 4 or better;
- another 58%, or 15 million jobs, are marketing and sales, administrative, services, supervisor, and similar; positions that require language skills between 2.5 and 3.9; and
- only 2%, or about 1/2 million jobs, are expected to require language skills less than 2.5. The number of jobs that do not require at least Level 2 abilities will diminish by 400,000.

Our next step was to estimate how much skills need to be improved. We, therefore, compared our forecast of the skills required to NAEP's estimate of the skills of young adults. First, however, we had to adjust for the changing demographics expected between 1985 and 2000. Over 40% of the new workers expected between 1985 and 2000 are immigrants and minorities; groups that, too often, have not been well served by the educational system.

On this basis, we found that approximately 25 million workers will need to improve their skills. The average worker will have to improve from 2.6 to 3.6 on the DoL scale by the year 2000, an increase of 38%.

Some will have to improve from Level 1 (or below) to Level 2 and be able to read comic books and instructions for assembling model airplanes. Some will have to go from level 2 (or below) to Level 3 and read safety rules and maintenance instructions. Some will have to get to the Labor Department's Level 4 and be able to read periodicals and prepare business letters.

In summary, the productivity goals require more workplace literacy than NAEP found among 21 to 25 year olds, especially when adjusted for demographic change. The nation needs an effective way to teach the required skills to over two million adults annually, if the full 25 million-person gap is to be eliminated in the dozen years remaining in this century.

I want to emphasize the word "effective." The capacity of current adult education programs has been estimated, by David Harmon of Columbia University, at 5 million students. This exceeds the flow of new students by a factor of two (i.e., immigration and school failure produces 2.3 million new functional illiterates annually). If everyone who took literacy and English as Second Language courses was successful the problem would be solved by the year 2000. But success is elusive; something new is needed.

SIX DEMONSTRATIONS POINTING TO A SOLUTION

Something new is happening in classes held on the 5th Floor of the UAW building at Astor Place in downtown Manhattan. There, union workers come to learn to read better or, in another class, to improve their ability to use English. The students come, in part, because a group of unions is running the program and the workers trust the unions to treat them with dignity.

Eight unions in New York -- the Teamsters (Joint Council 16), the UAW (District Council 65 and Local 259), the ILGWU, the Clothing and Textile workers, District Council 1199 (mostly hospital workers), the Hotel/Restaurant workers, and AFSCME District 1707 -- have banded together to form a Consortium for Literacy that provides services to their members and their families. The Consortium serves men and women employed by smaller firms; too small to spend much to train their workers.

These adult learners also come because the learning process is quite different from anything these students have experienced before. They touch a videoscreen and a microcomputer changes the image that comes from a videodisc; these workers are using interactive videodisc technology (IVD).

One of the student's is a black man in his 50's, who left school in the third grade to work on a farm in South Carolina, and now comes to school after working all day in a chicken-rendering plant in New Jersey. He is using a unique course to improve his reading and writing. The course, designed for illiterate adults, is PALS, Principles of the Alphabetic Learning System. It was developed by Dr. John Henry Martin, who also developed Writing-to-Read, a course in widespread use by first-graders.

In the other class, given on alternate nights, Hispanic immigrants use another IVD course, SKILLPAC, on the same IVD equipment (IBM InfoWindows). Among, other things, they learn how to check a shipment against an invoice, use a telephone to place an order and clarify when the order-taker does not understand the instructions she has been given (e.g., the video character says "three wrenches," although only two were ordered).

Classes meet two evenings a week for three hours nightly. These students work full time, meet family responsibilities, and attend school. One of the questions is whether students are more willing to stay with a course of study that uses technology than with traditionally taught classes. The characteristics and subjective impressions of the students in the two classes are shown below. The students, who average a below 4th-grade reading level, have a positive or very positive response to their classes.
By the fall of this year the evaluators at the City University of New York will have analyzed post-test results for these students.

Student Characteristics

Course	Total #	Male	Female	Reading Comp	English Profec.
PALS Test	12	7	5	Grade 3.0	N.A.
PALS Control	15	4	11	Grade 3.2	
SKILLPAC Test	17	8	9	Grade 3.5	4.7
SKILLPAC Control	17	10	7	Grade 4.0	5.0

Student Appraisal of Materials

	PALS	SKILLPAC
Reading Comprehension	3.5	3.6
Writing	3.2	3.5
Oral Language	2.9	3.8
Self-Monitoring	3.0	3.4
Confidence	3.2	3.5
Aspiration	3.4	3.7
Average	3.2	3.6

Scale: 4 = Very Positive Change
3 = Somewhat Positive
2 = No Change
1 = Negative

Last year, the Employment and Training Administration (ETA), within the U.S. Department of Labor, partially financed this and five other demonstrations. ETA's goal is to test the use of technology, IVD in these cases, to substantially increase workplace literacy.

One of the other DoL grants went to the Multicultural Career Intern Program (MCIP) in Northwest Washington, DC. MCIP, a non-traditional high school located in a new facility near 15th and Irving Street, NW, serves a clientele of mostly immigrant youth and adults.

Since it was created a decade ago, MCIP has been a leader in the use of computer technology and has helped other organizations get their feet wet. It does it all; recruits, teaches and finds jobs for students, seeks and obtains grants, tries and evaluates new approaches.

As of January 4, 1988 MCIP's students, sitting before newly-installed IVD machines, began using PALS and SKILLPAC. Some come with limited literacy in any language; others need help with their English; and others are ready to learn job-related enabling job skills such as preparing charts for a meeting about safe ways to use a forklift truck.

A third "workplace literacy" experiment, with existing courses, began this Spring in Milwaukee at a model Family Learning Center run by SER-Jobs for Progress. The goals of the experiment are:

- Reducing the deplorable school-dropout rate experienced in the Hispanic community;
- Restoring some of the strength of the Hispanic family and
- Qualifying students for jobs that will break the welfare cycle.

SER hopes that technology may overcome problems that cause Hispanic dysfunction in schools and in the job market. Computers, endlessly patient, with course materials that are courteous and culturally sensitive, can overcome many barriers. The SER Family Learning Center is an attempt to use technology in a way that will make mother, child, and family the learning unit. While the mother is learning how to read with PALS, her young school child is working with Writing-to-Read, a program already proven successful with kindergartners and first graders.

The hope is that young mothers will work harder to stay up with, and help, their children. The children will benefit from the early help (a la Headstart) and from more literate mothers -- the single best predictor of a child's academic performance.

The demonstrations in Washington, DC., New York, and Milwaukee use existing course materials. Three other projects will produce new course materials. These new materials will be further steps towards building a "library" of IVD courses for adult literacy instruction.

In 1982, GM and Ford (Chrysler followed three years later) negotiated what has been called a "nickel fund" with the UAW. Five cents per hour worked, later growing to 18 cents, are placed in a fund to be administered by respective national training centers. Thus, there is a UAW-Ford National Education and Training Center and a UAW-GM Human Resource Center, both of which recieved ETA grants.

The UAW-Ford Center will produce an interactive videodisc-based course for industrial mathematics. One goal in this course is to use technology to enhance — not lessen -- the teacher's capacity to provide personal attention to his or her students.

The UAW-GM Center will produce a IVD course entitled "Are You Ready for the Year 2000." The goal is to teach the skills needed to process information in a variety of jobs in the next-generation auto plants.

The final demonstration is at Domino's Pizza Distribution in Ann Arbor, where a "Leaders in Literacy Forum" will be held next week. Their new IVD course will teach literacy skills required to obtain certification in the making of the spheres of pizza dough sent to the stores. Not only will this project be an unusual use of interactive videodisc, but the learning will be delivered by a company that takes a unique approach to its workers.

One example may suffice. Domino's runs an Olympics each year under the supervision of a true Olympics champion. But, instead of throwing a javelin or running a race, competitors clean pizza pie tins or run forklift trucks. Winners receive cash, an Olympic ring, and sit on the Domino's executive board for a while. Employees thus come to understand that the company honors all the work that is done.

REQUIRED NEXT STEPS

About three weeks ago, the Departments of Labor and Education jointly published The Bottom Line: Basic Skills in the Workplace. Two agencies came together to call for a partnership with employers to improve the "... bottom line for the public and private sectors...the best use of the nation's human resources." The report lays our the steps a company must take to make a "literacy audit" and develop a workplace literacy program.

The report recognizes that literacy at school is not the same as literacy at work. About 95% of American 21 to 25 year-olds are able to decipher a printed page written for fourth graders. Researchers, however, find that grade-school reading levels do not correlate with job performance. Although high-school students and blue-collar workers both read about 100 minutes daily, they read for different purposes. Students take notes and read to answer teachers' questions; workers read and write to perform tasks and solve problems.

Workers read to learn and in context; they do not (often) need to learn to read. Productive workers efficiently process information presented on invoices and other business forms, on computers screens, blueprints, patient's charts, and street maps. They understand customers across the counter or over the telephone, in English. Numbers illuminate, rather than confuse. Productive workers possess enabling skills.

There are other differences between what educational theorists call pedagogy -- leading children -- and androgogy -- helping adults. The major difference is control. Adults demand autonomy, bring different backgrounds to the learning experience, and have to be convinced of the relevance of what is being taught. Computers can meet these requirements because they can be controlled by the students and provide self-paced instruction that proceeds as competency is demonstrated.

Carl Brunner emphasizes the adult's need to understand the intellectual basis that stands behind what they are taught. Children may learn without understanding why there is an alphabet, or why it is important to manipulate numbers, but adult dignity as well as the way the adult mind works, requires that an explanation be given.

Seymore Papert of MIT, the inventor or LOGO, wrote in his book Mind Storms that humans are learning machines. It may be useful to say that humans are problem-solving machines. Moreover, they solve problems that they believe relevant (which is why books on sex and taxes are best sellers).

The six demonstrations described above respond to the special needs of adults who require enhanced literacy. They emphasize workplace-based problem solving and student control of interactive training technology. Clearly, however, it is a long way between these few demonstrations and the needs disclosed by WorkForce 2000.

The nation needs to serve 2 million adults annually, equipping these students with the skills required in tomorrow's workplace.

Success requires a substantial program of research and development projects to obtain:

- o Better and less costly computer and IVD hardware that allows easy modification of sound and pictures;
- o Better measures of what enabling skills are needed in diverse workplaces — i.e., in hospitals and hotels, on trucks and in shipping rooms, in offices and so on;
- o More practical results from the cognitive scientists so that artificial intelligence and expert systems can be built into courses;
- o Instructional designs that use these findings to produce more effective course materials;
- o A much better understanding of how technology is best used in the varied organizations that provide instruction;
- o The development of new organizations and institutions, like the ones mentioned, to deliver instruction;
- o Willingness by business to provide literacy instruction, using technology, at the workplace, eliminating the students' need for transportation to school; and
- o A way to take what is learned at these demonstrations and elsewhere and build on it.

Modest beginning for such a program are now taking shape in small workplace literacy programs at the Labor and Education Departments. Grants for a series of new demonstrations will be awarded in the next few months. Unfortunately, less than $15 million is available in this fiscal year. Much more is needed. A hundred demonstrations of the type described would serve less than 20,000 students annually.

Serving 2 million adults annually at a cost of $1,000 per student will require $2 billion a year. Some of those funds can and will undoubtedly be found in existing JTPA, ABE, and similar programs and in the dislocated worker program in this year's trade bill.

Making these funds effective, however, requires a major R & D effort to build, implement, test and evaluate technology-based workplace literacy programs for a variety of occupations, industries, localities, and student populations. That effort must start now if we are to keep the U.S. competitive and allow the economy to grow by 3% annually through the rest of this century and into the next one.

Representative HAWKINS. Thank you, Mr. Packer.

The next witness is Mr. Donald P. Hilty, corporate economist of the Chrysler Corp.

Mr. Hilty, please proceed.

STATEMENT OF DONALD P. HILTY, CORPORATE ECONOMIST, CHRYSLER CORP.

Mr. HILTY. Thank you for inviting me, Mr. Chairman. I commend you for this series of hearings on an important subject.

I will briefly paraphrase some of the important employment issues that I think have arisen out of the auto experience.

Manufacturing generates many jobs throughout the economy. The high job creating multiples are in signs to manufacturing. Usually, the numbers are that there are two services for every one manufacturing job.

The auto industry, especially, is a major driving force in the United States that sparks employment, production, and innovation in many industries. The slowdown in the long-term truck industry though does suggest to some people that it's a sunset industry. I think they're looking just in unit terms when the auto industry is expressed in dollar terms.

We find that the auto industry is growing faster than the general economy of this nation. This nation does rely on personal transportation. We are finding people are buying larger cars with more options. We don't think the dollar growth is due to price gouging.

We usually price about three-fourths the size of the Consumer Price Index growth. The importance of the healthy manufacturing base is also recognized in most industrial countries, in the more ambitious developing countries.

The auto firms from these countries have captured about a third of the U.S. auto market due to a combination of factors that I think include these strong foreign autos that are nurtured by favorable public policy.

We think many of them have artificial comparative advantages. They also are attracted by the large U.S. market with few restraints to entry.

There are some quality differences between foreign and domestic vehicles. The U.S. industry did get complacent.

A fourth reason is the sustained sharp rise in the value of the dollar which made exporting to the United States very profitable. But then we feel that the deteriorating competitiveness of our industry—or our society—has ultimately contributed to this growth of the deficit in the auto industry.

The auto trade deficit was more than four times the size of the deficit in 1980. And Japan has about half of that trade deficit. Autos now account for 37 percent of the merchandise in the trade deficit in this country.

With no policy changes, we think the trade deficit is not likely to shrink. Even optimistic assumptions would suggest that the trade deficit with Japan will be a third larger in 5 years. And then the auto deficit with the rest of the world is increasing very dramatically, too.

So, my first main point is that U.S. jobs are lost when a major manufacturing sector such as autos has a large trade deficit. Other countries do not tolerate this kind of displacement, and we have lost some very important industries due to the problem.

I mentioned TV, VCR's. The camera industry is almost lost. We have a new phenomenon in the auto industry that's coming. This is the transplant assembly operations. We define transplants as the assembly of foreign-designed vehicles in North America with a high degree of foreign content.

The list of advantages for transplant operations is rather long. I'll mention just a few. The threat of a restrictive trade bill has urged the companies to build assembly plants here, but it's also quite an advantage to start fresh. Foreign companies have found that they can attract State and local incentives. They can use the latest manufacturing techniques; can employ a young work force with less health care costs, and they start with no pension liability.

They also then can use modern working arrangements. We find that of the 10 transplants in the United States, only one of them is a renovated plant. All the others are new plants.

So, announcements have been made that six assembly plants will be closed in the next 5 years, largely due to the building of these new transplant plants in the United States. And probably four more assembly plants will be closed during the next 5 years due to this phenomenon.

There are relative merits in transplants. There are some advantages to the United States; at least some assembly jobs are created in the United States.

But I'd like to point out that there are some disadvantages. Localities with displaced plants will be harmed. They'll lose jobs and yet a weaker local economy will have to maintain the superfluous infrastructure, new roads, schools, and hospitals.

New infrastructure has to be built at that new transplant site. There's always the risk that these transplants will not substitute for additional imports and the foreign content can remain very high amongst these transplants.

There's a risk also that in a downturn, the foreigners might decide to source the vehicles from their home base rather than using these transplants.

I'd like to conclude with four major conclusions that I think the auto industry experience suggests.

First, manufacturing employment can be adversely affected when economic policy is made without regard to the rest of the world. There's a risk of making economic policy without considering the rest of the world. There's a lot being said about unlevel playing fields. This is one of the aspects of that.

Second, large economic imbalances can be disruptive to manufacturing. One of the main problems has been the undervaluation of the dollar. And, of course, a lot has been said about the large trade deficit that we have now.

A third conclusion that I would like to suggest is that new plants have advantages versus the old plants of historical baggage. Maybe the Government could help initiate a dialog with business and labor to try to renovate old plants in order to keep those plants alive and forestall the need for or opportunity for many new plants.

Such things as promoting joint research and development. Of course, business is quite concerned about antitrust implications of getting together. The Government could help without spending any money, help initiate this dialog.

The fourth conclusion is that government can influence the social problems that we give that caused this country to lose its competitiveness. We are concerned about excessive litigation in this country, and then the followthrough to that, the high welfare costs.

A manufacturer, when he looks at the high health care costs, is motivated to think about the temporary work force rather than the permanent work force.

When we hire a young person, we have to think, gee, we'll have to pay for a heart bypass at age 80 and then many thousands of dollars a day in the last 2 years or so of their life.

It's quite different to hire a person now with the tremendous health care costs.

Also, our tax structure does encourage us to export from other countries rather than the United States. As you know, there are advantages, especially to the BAT system.

Finally, I agree with many of the other people that have testified on the need for improved educational standards. We think a special plea should be given for bright people to go into industrial management. We feel it takes a genius to run a plant now. We are trying to encourage more people to go in there.

I'd like to emphasize this issue.

So, Mr. Chairman, these are some general recommendations based on the experience in the auto industry.

Thank you for your time.

[The prepared statement of Mr. Hilty follows:]

PREPARED STATEMENT OF DONALD P. HILTY

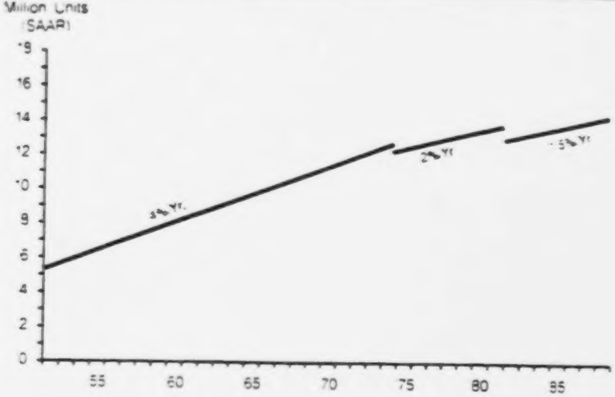
SOME IMPORTANT EMPLOYMENT ISSUES: THE AUTO EXPERIENCE

Testimony To

Subcommittee On Investment, Jobs, and Prices
Joint Economic Committee
Congress of the United States

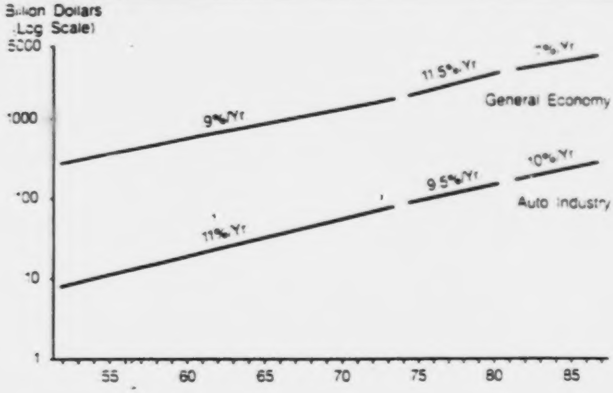
April 19, 1988

U.S. Auto Industry



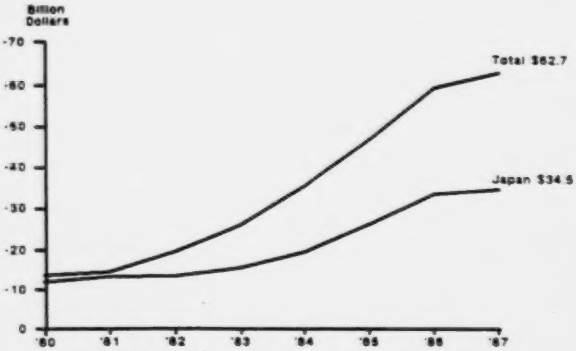
- The auto industry is a major driving force in the U.S. that sparks employment, production, and innovation in many industries.
- Slowdown in long-term car and truck industry sales trends in unit terms suggests to some that it is a sunset industry.
  - Auto sales were growing an average 4% per year after World War II until the first oil shock in 1973.
  - The level of auto sales dropped and the average growth rate halved to 2% per year.
  - The second oil shock caused another dislocation; the trend growth rate now seems to be down to 1.5% per year.

U.S. Auto Industry vs. General Economic Growth



- o When expressed in dollar terms, however, the auto market is quite exciting.
  - It is growing faster than the general economy.
- o The spread between the U.S. auto market and economic growth has even widened - from 2% in the fifties and sixties to 3% in the eighties.
  - It grew slower than the economy during that short but difficult period during the late seventies and early eighties.
- o This rapid growth is because people are buying more expensive vehicles and more options.
  - It is not because of price gouging. The industry (on average) prices about 3/4ths the growth rate of the Consumer Price Index.

U.S. Auto Trade Deficit



- The importance of a healthy manufacturing base, including a strong auto industry, is well recognized by most other industrial countries and also by the more ambitious developing countries.

- Auto firms from these countries have captured about 1/3rd of the U.S. auto market due to a combination of factors that include:

    - Strong foreign auto companies, nutured by favorable public policy.

    - Few access limitations to attractive large U.S. market.

    - Quality differences between foreign and domestic vehicles.

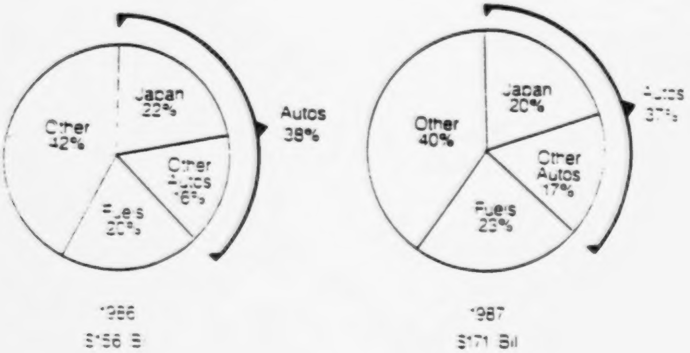
    - Sustained sharp rise in value of the dollar that made exporting to the U.S. very profitable.

    - Deteriorating competitiveness of our society.

- The U.S. auto trade deficit last year was more than 4 times the size of the deficit in 1980.

    - The auto deficit with Japan continues to increase; Auto deficits with other countries almost equal the deficit with Japan.

U.S. Merchandise Trade Deficit

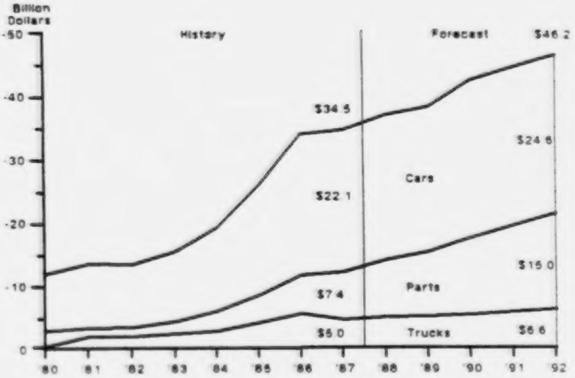


o Autos accounted for 37% of the U.S. merchandise trade deficit last year.

- Their share of the deficit has been fairly constant lately; their portion, in dollars, of course has been rising.

U.S. Auto Trade Deficit with Japan

No Policy Changes



- With no policy changes, the auto trade deficit is not likely to shrink.
- Even optimistic assumptions suggest the U.S. auto trade deficit with Japan will be at least 1/3rd greater in 5 years.
- The auto deficit with the rest of the world (especially the developing countries) will increase even more.

Employment Impact of Trade Deficit in Autos

Auto Trade Deficit Displaces U.S. Jobs

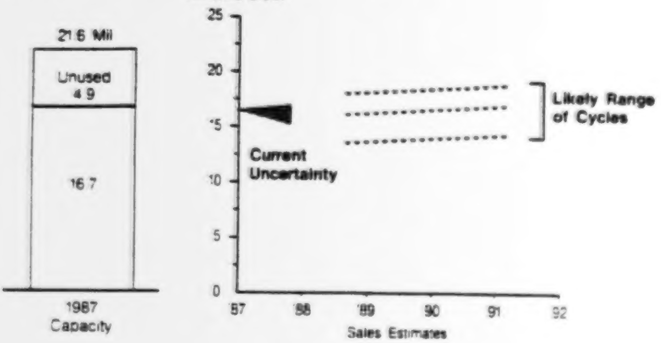
- **Assembly Jobs**
- **Auto Supplier Jobs**
- **Other Jobs Due to Less Manufacturing**

o U.S. jobs are lost when a major manufacturing sector such as autos has a trade deficit.

  - Other countries do not tolerate this displacement.

Supply & Demand

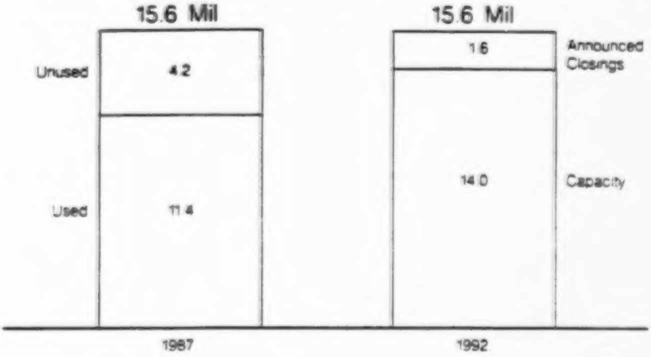
North American Auto Industry



- Construction of new auto plants in North America is causing additional manufacturing and employment dislocation problems in the U.S.
- Capacity to supply cars and trucks to North America this year totalled 21.6 million vehicles.
- About 5 million of this capacity was unused last year.
  - Even less will likely be needed this year.
- In the next 5 years, cyclically high sales years will not likely need the capacity we have this year.

Traditional Domestic Capacity

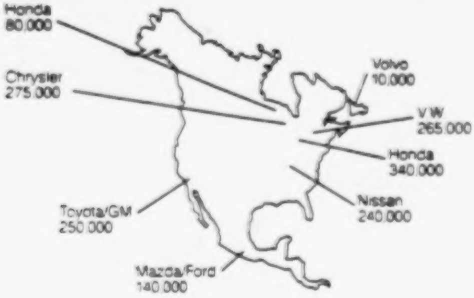
North American Auto Industry



- Much of this unused capacity in 1987 belonged to traditional domestic companies, that is GM, Ford, and Chrysler.
- Closings within the next 5 years have been announced for 6 plants that have capacity to produce 1.6 million vehicles.
- The path we are on now suggests that not all the remaining 14 million capacity will be utilized in future good years - unless they become more competitive soon.

Transplants in North America

1987 Capacity


Honda
80,000
Chrysler
275,000
Volvo
10,000
VW
265,000
Honda
340,000
Nissan
240,000
Toyota/GM
250,000
Mazda/Ford
140,000

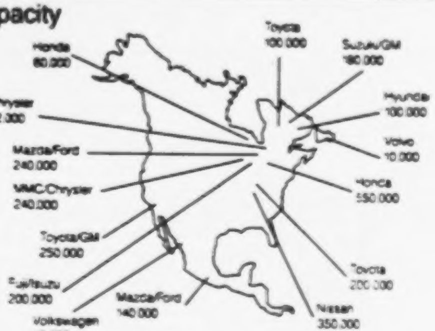
1987 Capacity 1,600,000

- A main competitor of the traditional domestic capacity is transplant capacity, that is, assembly of foreign-designed vehicles in North America with considerable foreign content.

- Here was the transplant picture at the end of 1987.
  - Capacity was in place to produce 1.6 million cars and trucks.

Transplants in North America

1992 Capacity


Honda
80,000
Chrysler
62,000
Mazda/Ford
240,000
VMC/Chrysler
240,000
Toyota/GM
250,000
Fuji/Isuzu
200,000
Volkswagen
45,000
Mazda/Ford
140,000
Toyota
100,000
Suzuki/GM
180,000
Hyundai
100,000
Volvo
10,000
Honda
550,000
Toyota
200,000
Nissan
350,000

1987 Capacity	1,600,000
Added Potential	1,147,000
Total Potential Capacity	2,747,000

- New capacity is being constructed so that transplant assembly capacity will total 2.7 million units in 5 years.

Reasons For Transplants

- Threat of Restrictive Trade Bill
- Weak Dollar Makes Investments "Cheap"
- State and Local Tax Incentives
- Advantages of Using Latest Manufacturing Techniques
- Can Employ Young Work Force With Less Health Care Costs
- Start With No Pension Liability
- Use Modern Working Arrangements

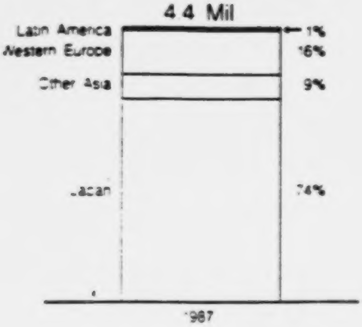
o This list of advantages for transplant operations is long.

o Only 1 of the 15 transplant assembly plants (9% of the capacity) will be a renovated plant - the Toyota/GM plant at Fremont, California.

  - All the others will be new, greenfield plants.

Built-Up Imports

North American Auto Industry



- Last year 4.4 million vehicles were imported.
  - 74% came from Japan.

Overcapacity Conclusion

By 1992, Four More Assembly Plants Must Close in North America.

- Due to imports of built-up vehicles and the construction of transplants, at least 4 more plants will close - probably in the U.S.

Relative Merits of Transplants

Advantages to U.S.

- At Least Assembly Jobs Are Created in U.S.

Disadvantages to U.S.

- Localities With Displaced Plants Will be Harmed
  - Job Losses
  - Need to Maintain Superfluous Infrastructure
- New Infrastructure Needed at New Transplant Sites
- Risk That Transplants Will Not be Sustitutional, But Additional Imports
- Foreign Content May Remain High
- Risk of Transplant Closings During Downturns

o The transplant phenomenon generates costly dislocations.

Conclusions

- Manufacturing and Employment Can Be Adversely Affected When Economic Policy is Made Without Regard to the Rest of the World
  - Some Nations Have Artificial Comparative Advantages
- Large Economic Imbalances Can Be Disruptive
  - Over/Under Valuation of the Dollar
  - Large Federal Budget Deficit/Foreign Capital Needs/Trade Deficit
- New Plants Have Advantages vs Old Plants With Historical Baggage
  - Perhaps Government Can Initiate Dialogue With Business and Labor
- Government Can Influence Social Problems
  - Excessive Litigation
  - High Health Care Costs
  - Improve Educational Standards, Encourage Industrial Management Training

o These are some general recommendations based on recent experiences in the auto industry.

Representative **Hawkins**. Our final witness is Mr. Rudy Oswald.

Mr. Oswald, we are very pleased to welcome you. You're the designated cleanup hitter, I suppose, you being the last witness in this series. I commend you on all the things that you've done to assist the Joint Economic Committee and the other committees of Congress. And we look forward to your testimony.

STATEMENT OF RUDY OSWALD, DIRECTOR, DEPARTMENT OF ECONOMIC RESEARCH, AFL-CIO

Mr. **Oswald**. Mr. Chairman, let me thank you for first giving the opportunity to the AFL-CIO to present its views on employment in the year 2000, policies and programs that are needed.

But, particularly for your own leadership in terms of bringing this issue to the attention of Congress, your past action in terms of the support of the Humphrey-Hawkins Act that bears your name, as Mr. Packer had indicated, an important element in the whole fabric of where we need to go. I think it's a tragedy of the 1980's that we have not followed the requirements of that act. My testimony does emphasize the need for the macroeconomic policies that provide for econoomic growth and stability, the concerns with the distribution of that growth and the benefits thereof, the combination of microeconomic policies that augment those general economic policies, particularly education and training programs; the advance notice of plant closings that are an integral part so that we can get people on a timely basis into the training programs; the antidiscrimination programs—child care, parental leave issues that have been talked about earlier today, and other programs to assure that there will be jobs for those who want to work between now and the year 2000.

The year 2000 really isn't that far away. The people who are going to be working in the year 2000 are either already at work or are currently in schools or are school dropouts, or are, sad to say, unemployed today.

We've heard earlier in the testimony the important role of America's school system. That school system is important, but we also need an effective system for retraining those people already in the work force.

In the 1980's, much has been talked about supply-side economics. That I think has been discredited in theory and in practice. I think it's time that we practiced demand-side economics and started focusing on the need to generate demand for the goods and services that America is capable of producing.

When our labor force is fully utilized and fully employed, the workers should be assured that they receive the necessary education and training so that they can perform the jobs. And that there is sufficient demand to create jobs for the new workers, for the displaced workers of today, for the unemployed workers, and for the discouraged workers today and tomorrow.

In 1983, the AFL-CIO established a separate subcommittee of its executive council to look at what is the future of work. And its report in 1983 emphasized the concern that there would be persistent unemployment in the 1990's, that there would be the development of an underclass of Americans that would be left out of the general growth that would take place.

And unless we pursued policies and programs to mitigate, to bring these people into the mainstream, we would have a stagnant pool of 4 to 6 million jobless workers during the 1990's on into the year 2000.

As we look back, we emphasized that the Humphrey-Hawkins law provided a basic framework of reducing unemployment in terms of macropolicies as well as a series of specific micropolicies to deal with those issues.

The solutions to unemployment are spelled out there. I think we know that a number of elements that we need to do in terms of touching with some of those—Mr. Hilty spoke of some of those in terms of the trade legislation, the industrial policy. Mr. Packer talked a little bit about the training problems. And Ms. Ozawa talked about the needs of child care and parental leave.

But, unless we pull together these programs and policies, we will have serious problems not only in the next few years but throughout the decade of the 1990's.

There is one element that I would like to emphasize in terms of our education system and, Mr. Chairman, you have done very much in terms of sponsoring legislation to improve our education system.

I think, on occasion, we don't give enough emphasis on what we have accomplished. In 1950, only half of our young people—when one looks at the group of young people aged 25 to 29—had completed high school. Today, that's about 85 to 86 percent. That isn't good enough in terms of what is needed in the years ahead, but we've made tremendous progress and we need to continue that progress and improve the importance in the meaning of what a high school diploma is and does in terms of what it guarantees the young people, in terms of their abilities and their abilities to perform the jobs in the future.

We're heard a little bit about the growth in service jobs. I think one of the elements that we need to emphasize as we look toward the training and the education is that we have jobs that provide important goods and services that Americans need and want, and that they pay well so that Americans can maintain the living standards to which we had always hoped to attain and achieve.

As one looks at the decade of the eighties, one is impressed with the growing maldistribution of income during the 1980's, where the wealthiest in our society have gotten wealthier and where the others have obtained a smaller and smaller portion of the total income.

One is also impressed, sad to say, with the continued problems of minorities in our society in the 1980's. As one looks at the unemployment rate for blacks today, it's still more than double that of the general population as a whole and for Hispanic workers, some 50 percent higher.

One knows as one looks at the labor force growth over the next decade that two out of three of the new jobs created will be held by women. And Congress is currently considering legislation. It's spoken earlier about the child care legislation, which I believe is an important step, to help those women, but also the parental leave legislation and the legislation that you talked about in terms of being incorporated in the trade bill, which deals with the basic trade problem but also with the training elements that are only effective if one has advance notice of what is going to happen and affect workers so that one can bring that training to their existing workplace.

Part of your challenge in setting up these hearings was also what will unions, for example, do in terms of trying to deal with those issues of the future?

Mr. Packer has already taken part of my examples in terms of emphasizing the growing role that unions are playing in training and retraining. He emphasized those in the auto industry, but he could have also talked about those in the telephone industry, in construction, in the maritime, in printing, and many of our other unions as well as the Human Resources Development Institute, which we have established to try and work with both union members and nonunion, both in helping displaced workers as well as young people in terms of disabled and others, in terms of bringing that training and retraining that we believe is so important for the 1990's.

I guess, in conclusion, I would just like to emphasize that it is the combination of elements, macropolicies, the specific programs for infrastructure, for education and training, for child care, for parental leave, for dealing with the problems of discrimination and minorities in our society that we need to bring together to assure that those who want to work between now and the year 2000 are adequately prepared for work and that there are enough jobs to provide them with the jobs that they want and need to support themselves and their families.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Oswald, together with attachments, follows:]

PREPARED STATEMENT OF RUDY OSWALD

Mr. Chairman, I appreciate this opportunity to present the views of the AFL-CIO on employment in the year 2000 and the policies and programs necessary to achieve a prosperous future as the nation moves toward this date. We appreciate your leadership and your concern for full employment and sound social policy.

By the year 2000, there will be another 18 million workers in this nation's labor force. Some of these will be immigrants -- but most of these future workers are here in America already. They are already born. Some of them are in kindergarten. Some of them are in elementary school. Some of them are in high school. Some of them are already school dropouts. Some of them are already in the labor force. And some of them have already joined the ranks of the unemployed.

America's school system has a basic responsibility for preparing young people for the world of work, but the school system must be backed up by an effective system for training and retraining.

And there must be jobs.

Supply-side economics is now totally discredited in theory and in practice. It's time to practice demand-side economics. It's time to start focussing on the need to generate demand for the goods and services America is capable of producing when our labor force is fully utilized and fully employed in productive work.

The workers who will be here in the year 2000 are already here. We must make sure they have the necessary education and training. We must make sure there are jobs for them. We must make sure that the demand for goods and services is growing fast enough to create jobs for new workers and displaced workers and for all those unemployed who want to work and be part of America's economic mainstream.

The AFL-CIO sees an urgent need for a renewed commitment to the policies and programs set forth in the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act of 1978.

Unemployment is still a serious national problem, in spite of recent improvements. About 7 million people are officially unemployed. Another 1 million discouraged workers have stopped looking for jobs they cannot find. And more than 5 million people who want full-time jobs and full-time paychecks are working part-time. And these numbers do not take into account the "hidden unemployment" revealed by low labor force participation rates by such groups as black teenagers and older black males.

The AFL-CIO Committee on the Evolution of Work warned in 1983 that there will be a persistent job shortage and persistent high unemployment -- with a stagnant pool of 4 to 6 million jobless workers -- as the nation moves into the 1990s toward the year 2000.

That judgment is still valid.

Humphrey-Hawkins Law

The Humphrey-Hawkins law affirms the basic human right of every American to full opportunity for useful, paid employment at fair rates of compensation. It sets a target for economic policy to reduce unemployment to 3 percent for adults and 4 percent overall. It outlines specific programs and strategies for dealing with inflation, balancing the budget, and meeting national priorities. And it calls for the federal government to make good on these commitments.

Let me outline briefly some of the conditions which make such policies and programs even more necessary now than when that law was enacted.

Massive changes in the structure of the U.S. economy are under way and will continue.

Imports threaten more and more jobs, and U.S. exports face tough international acceptance.

Technology is displacing workers and overturning traditional work patterns. Industries and occupations are changing.

More women and more minority workers will be looking for jobs through the 1990s. And young people face special problems in a society with high unemployment and rising educational requirements of workers.

In spite of recent progress in reducing unemployment, the legacy of recession-depression and slow economic growth in the 1980s shows no signs of changing the basic, persistent, excessively high unemployment situation facing the nation as it enters the 1990s.

Such high levels of unemployment are intolerable because they injure and destroy individuals and families, because they weaken and disrupt society.

Even for workers fortunate enough to have jobs, good wages, and good working conditions are too often lacking in the new service-oriented economy.

The American standard of living is threatened by these shifts.

This nation should be deeply concerned about high unemployment continuing through the 1990s to the year 2000.

Human suffering, dependency, frustration, and alienation from society increase among the unemployed. Crime, social unrest, and family breakdowns occur more often when unemployment is high.

Living standards fall, or rise very slowly, when economic growth and job creation slow down and unemployment rises.

In addition to the human cost of unemployment, there is an economic waste of human and material resources on a stupendous scale when millions of American workers cannot find jobs. We estimate the nation loses at least $100 billion in goods and services for every one million jobless workers.

And the competitive position of the United States in the world economy is weakened when high unemployment, lost income, lost buying power, and lost production reduce U.S. output and productivity.

A serious consequence of a continuing "army of the unemployed" is a loss of sense of national purpose and national will, a loss of confidence in the nation's social and political institutions, a loss of nerve, and a loss of belief in the capacity of a democratic society to meet and to solve the nation's problems.

The AFL-CIO insists that there are solutions to the problems of persistently high unemployment. Unemployment insurance and welfare programs have an essential role in modern industrial society -- but these programs (which also need improvement) are in no way a substitute or an alternative to gainful employment in productive jobs.

Unless effective and successful policies and programs are put into effect, America in the 1990s and America in the year 2000 will be more and more polarized, more and more unstable -- and will be operating far below its full potential in an increasingly competitive world economy.

AFL-CIO Action Program

There are no simple or easy solutions to the difficult problems of job creation in a high unemployment economy. Faster economic growth is necessary, Both private sector action and public sector action are necessary. Collective bargaining has a role to play. But the federal government has a major responsibility and a major role.

Over the years the AFL-CIO has spelled out a comprehensive set of programs which would create jobs and attack the nation's serious unemployment problem.

* National economic policies -- fiscal and monetary -- aimed at full employment in line with the mandate of the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act of 1978.

* Realistic trade laws and rational industrial policy to achieve job-creating economic growth with balance and diversity, international competitiveness, national security, and rising living standards.

* Plant closing legislation with advance notice required and assistance for workers and communities adversely affected.

* Job creating community development public service jobs with federal funds to put jobless workers directly on local government payrolls and with federal "last resort" jobs for workers who cannot find jobs elsewhere.

* Accelerated public works as an investment in infrastructure to raise the nation's productivity.

* Human resource and productivity development through more and better education, training, retraining, upgrading, and upward mobility opportunities for all workers, both employed and unemployed.

* Anti-discrimination protections, including pay equity, affirmative action and outreach programs, to help women, black, Hispanic, and other minority workers.

* Higher minimum wage levels can assure a decent standard of living for the families of low wage workers and add needed consumer buying power to stimulate the economy.

* Reduced work hours per week and per year and higher overtime penalties can open up more job opportunities.

* Better matching of workers and jobs, including improvements and adequate support for the operations of the U.S. Employment Service system.

* Parental leave and day care for children of working parents.

* Minimizing, cushioning, and humanizing adverse effects -- and maximizing creation of good jobs -- from industrial, occupational, and technological change.

Education

America's schools -- for all their diversity and weaknesses -- are a key feature of our democracy. They offer an amazing range of opportunity to America's young people, not only in preparation for higher education but also in preparation for the world of work.

Currently 85 percent of young people aged 25 to 29 years old have completed high school (normally 12 years of schooling). Half of these go on to college and half of those attending college complete four years and graduate. So we have 22 percent of the population aged 25 to 29 with college degrees.

But much more progress is necessary. We must not rest on what has been achieved. Blacks and other minority children too often do not get the kind of education they need. Too many find roadblocks and barriers to higher education. Too many get through school without enough science and math and too few pursue engineering in college.

The AFL-CIO supports a strong federal partnership and investment in public education. This means that Congress should maintain the federal government's major role in education and should continue its support for special programs including bilingual education and aid to the handicapped.

Chapter I programs providing educational enrichment for the disadvantaged should be expanded to reach more students in both elementary schools and high schools. Chapter I should also be enhanced to provide a pre-school education program to function alongside the Head Start program so that every child who is educationally at risk will be assured a good start in school.

The AFL-CIO is also urging Congress to expand opportunities for low-and middle-income students to attend college or to return to college for training to upgrade their skills. We also support Congress in its increased funding for vocational education programs that reach 19 million students. Congress has rightly refused to give up federal responsibility for vocational education and rightly rejected President Reagan's attempt to eliminate federal funds for vocational education.

Good Jobs, Bad Jobs

Unfortunately, the new service economy being created is not producing the good-paying jobs needed to sustain economic demand and to raise living standards.

The share of relatively well-paid jobs in manufacturing dropped from 26 percent of total employment in 1972 to less than 20 percent in 1986. During this period, service sector jobs went up by 50 percent.

Barry Bluestone and Bennett Harrison have shown that the proportion of year-round, full-time new jobs paying poverty-level wages has increased dramatically.

They found that 12 percent of new jobs created between 1973 and 1978 paid less than $11,200 a year -- about $5.60 an hour in 1986 dollars. But after 1978 the proportion of low-wage jobs rose sharply. More than one-third of net additional year-round, full-time jobs paid an annual wage below the poverty line for a family of four, they found.

The share of additional jobs paying mid-level wages declined at the same time as the high-wage share of year-round, full-time employment increased slightly -- but low-pay jobs increased a great deal. The low-wage sector is the job growth sector.

So the overall quality of employment and earnings in America is declining as a result of the increase in low-pay jobs and the decline in jobs with mid-level pay, according to Bluestone and Harrison.

Persistent unemployment affecting lower income workers and greater inequality in earnings distribution that has not been offset by federal or state programs have depressed wages and incomes in an unprecedented downward cycle.

Rich Get Richer

The rich got more of the nation's income and the poor received less between 1973 and 1986, and particularly between 1979 and 1986. The low-and middle-income families who make up 80 percent of the nation's families saw their share shrink, while the wealthy top 20 percent made big gains.

Median real family income (measured in 1986 dollars) dropped from $29,700 in 1973 to $29,500 in 1986, according to the U.S. Census Bureau.

For one-earner families the drop has been even more dramatic -- from $25,300 in 1973 to $22,300 in 1986. Furthermore, the percentage of families earning between $20,000 and $50,000 (again measured in 1986 dollars) -- the broad group often labeled the middle class -- shrank from 52.7 percent in 1973 to 47.5 in 1986.

During this same period the percentage of workers who earned less than $20,000 went up from 29.9 percent to 31.8 percent, and the proportion of Americans with incomes of $50,000 or more went up from 17.3 percent to 20.7 percent.

Low-and middle-income Americans are not only losing their earlier share of income, they are also losing fringe benefits; and essential job-related protections for many part-time, temporary, and low-wage jobs have diminished.

Since 1980, the number of Americans without health insurance, now 37 million or 16 percent of the population, has increased by 40 percent. Another 50 million Americans have inadequate health insurance protection. Workers and their families make up three-fourths of those who are not insured or are underinsured.

Minority Unemployment

Black unemployment, a component of the overall unemployment problem, is particularly serious. Currently the black unemployment rate of 12.8 percent is more than double the 5.6 percent rate for all workers.

Hispanic workers have an unemployment rate of 8.2 percent, almost 50 percent higher than the overall unemployment rate of 5.6 percent in March 1988.

Sociologist William Julius Wilson has recently pointed up the serious social inner city social effects resulting from prolonged joblessness. He says:

"The problems of the truly disadvantaged may require nonracial solutions such as full employment, balanced economic growth, and manpower training and education (tied to -- not isolated from -- these two economic conditions).

Without in any way minimizing the importance of equal employment opportunity, affirmative action, outreach and other programs, it is important to note that a healthy, expanding, full employment economy is an essential environment for minority workers and minority families to achieve necessary progress in America.

Women Workers

The complete elimination of discrimination against women in the social and economic fabric of American life remains a major goal of the AFL-CIO.

The basic causes of lower average wages for women and minorities are job segregation, pay discrimination, and the undervaluing of the work they perform.

Pay equity and end to wage discrimination wherever it exists are essential through collective bargaining, legislative and legal action, and other appropriate actions.

The AFL-CIO is also supporting public policies and legislation to provide for family and medical leave, comprehensive child care, and appropriate care for the elderly.

Union Agenda

The basic purpose of unions is to help workers meet their needs for better wages and working conditions, job security, dignity and self-respect on the job, and participation in the decisions which govern life on the job and in American society.

What new directions can we expect from American unions ?

Basic aims remain the same -- to protect and to advance the welfare of workers on the job and in the broader social-political environment.

Bargaining is the bread and butter of unionism. Corporate campaigns go beyond the bargaining table. And coordinated bargaining involves a number of unions in one project.

More and better organizing is high on the union agenda for the future. Special targets are women, black, and Hispanic workers.

Professional workers have special needs and unions are moving to meet these needs in a variety of ways.

You are going to see more women, more blacks, more Hispanics, more service workers, and more professional workers in unions in the years ahead.

Another direction is the move to stronger, bigger unions through mergers of existing unions.

And we will see a broader range of benefits and services available to union members and to those in some new forms of union membership, like associate members who do not get representation in bargaining but get other benefits and services. Low-cost credit card and legal services are already available.

Unions are here to stay. American society needs strong, healthy unions to keep up the pressure for economic and social justice.

Mr. Chairman, I respectfully request that the 1987 AFL-CIO convention resolutions on **The National Economy** and on **Employment and Training** be included with my statement in the record of these hearings. Thank you.

Attachments:
The National Economy
Employment and Training

Economic and Social Issues

The National Economy

Major economic problems threatening U.S. workers include high trade and federal budget deficits, growing foreign debt, high real interest rates, unemployment, falling real earnings, maldistribution of income, plant closings, corporate mergers and takeovers, inadequate protections against layoff, illness, and old age.

The Reagan Administration's failure to deal with these problems has been grimly reflected in the sharp drops in stock markets of the United States and abroad.

This fall not only affects wealthy investors but also workers as it impacts on economic stability and investment. While few workers own stock directly, most workers own stock indirectly through their pension and other retirement and benefit funds, through profit-sharing and stock participation plans, through life insurance policies, and through mutual funds. In these various ways, workers will feel the impact of the stock market plunge brought about by Reaganomics. Furthermore, employers who benefited from "paper gains" during the stock market's rapid rise should not now be allowed to transfer the penalities for the drop in the market onto workers and pensioners.

Unemployment continues high in most of America, and while jobs have increased, most have been low-wage and/or part-time jobs. Four years of slow growth have failed to produce a full employment economy or bring the jobless rate down close to the 4 percent target called for by the 1978 Humphrey-Hawkins Full Employment and Balanced Economic Growth Act, and the paycheck of the average worker buys less than it did 20 years ago.

The federal government's debt has mushroomed to $2.4 trillion, almost triple the 1980 amount, as the 1981 Reagan tax giveaways, increased interest payments on the debt, and a rapid defense buildup caused unprecedented deficits in the federal budget. These deficits have distorted the economy, have been the excuse for shortchanging vital programs, are saddling future generations, and are stopping the federal government from using its taxing and spending authority to spur growth and fight the drift toward recession.

The U.S. merchandise trade deficit rose to $170 billion in 1986, registering a fourfold increase since 1980. America, which as recently as 1982 was the world's largest creditor nation, has become the world's largest debtor. Millions of jobs have been lost, mines and factories shut down, families driven off their farms and the economies of many local communities ravaged.

The AFL-CIO calls for programs to enable all Americans willing and able to work to have a job at a decent wage, and for those unable to work to receive the support necessary for a decent life. Fair policies are needed to encourage economic growth, price stability, and a fairer distribution of income. Action is necessary to deal with the destabilizing impact of imbalanced international trade and international money flows. To this end we call for:

A. Policies for Full Employment and a Humane Society

1. Employment and training policies need to be expanded and strengthened. Such measures include public jobs where private jobs are insufficient, reductions in work time, anti-discrimination protections, expanded job placement, education and training programs, effective protections for workers and communities from the closing of older plants, a minimum wage sufficient to maintain a decent standard of living, effectively enforced occupational health and safety protections, and a reformed workers' compensation system.

2. Social programs should help the unemployed, the aged, disabled and poor. The nation's unemployment insurance system is failing to provide income support to over two-thirds of the nation's jobless. Improved funding and fairer standards are necessary. We believe in strengthening the social security system, not in weakening it as the Administration has proposed. We support welfare reforms and funding to effectively fight poverty, homelessness and hunger. Significant spending increases are needed for new public housing, particularly for the elderly and handicapped and the home ownership program for moderate-income families. And we call for national policies to reduce health care costs and broaden access to quality health services for all Americans, including the unemployed.

B. Policies for Economic Growth, Stability and Equity

1. Federal tax and budget policies should support economic expansion, meet needs for public services and facilities, complement private sector investments and provide for the national defense. The tax structure must be fair and capable of funding government budgets that are responsive to the nation's needs. We urge speedy action to keep the promise of tax reform by closing loopholes and imposing rates on higher-income people that reflect the principle of taxation based on ability to pay.

Inequities must not be created by excise taxes or user fees paid by consumers. We also remain firmly opposed to across-the-board federal consumption taxes—such as a value-added tax or a national retail sales tax—which are contrary to the goal of tax justice and unfairly affect low- and moderate-income working Americans.

We remain vigorously opposed to attempts to mandate a balanced federal budget through constitutional amendment.

2. Interest rates and monetary policies, in addition to promoting price stability, should support economic growth and encourage investment in productive machinery and equipment, housing, small business, farm, and essential infrastructure improvements. The nation's roads, bridges, water and sewer facilities and transportation systems must be maintained and improved. Upgrading public works would attract private-sector investment, which would raise productivity and create jobs. Standby credit control authority should again be authorized to be used when needed to curb excessive financing for low priority purposes and hold down interest rates.

3. The activities of speculators and raiders who profit by targeting companies for takeover and inflating stock values should be curbed. Contracts entered into by a corporation, including collective bargaining agreements, should be made binding on corporate successors or new owners.

Purchase of corporations should not be financed with pension funds or so-called surplus money withdrawn from funds. Top managers of an acquired company must not be permitted to escape with "golden parachutes" at the expense of rank-and-file workers who lose their jobs.

The Congress should appoint a broad-based tripartite commission made up of labor, management and public representatives to assess the impact of the stock market decline on pension funds and other forms of retirement and insurance funds and to recommend appropriate actions.

4. An industrial policy involving labor, business community and government representatives should be established to help modernize, revitalize and enhance the competitiveness of the American economy. A National Development Bank that would invest public funds and attract private funds in necessary reindustrialization projects should be included. The bank should have authority to use loans, loan guarantees, and other tools to encourage industries to secure financing. The bank should channel investments to revitalize depressed geographic areas.

C. Policies for a Global Economy

1. Trade policies should lead to a fair trading environment that supports an advanced and diversified economy, promoting full employment and rising living standards. Trade law should be tightened and streamlined to provide timely, effective and predictable relief and to counter unfair trading practices. Policies are needed to reduce the nation's trade deficit and related growing indebtedness. Tax and tariff code incentives for moving U.S. production overseas must be removed. Legislation should also address the problems of such specific industries as textile and apparel, shoes, telecommunications, printing, maritime and steel.

U.S. trade law should authorize the federal government to act against nations that deny internationally recognized worker rights, including the right to bargain collectively. Such rights are needed to secure a more equitable income distribution and balanced economic growth in the world economy.

2. International economic policies need to be coordinated to mitigate the wild swings in exchange rates and encourage worldwide growth and expansion. Living standards throughout the world must be raised and a better balance struck between productive capacity and purchasing power. Improved monitoring is needed to track the global movements of money and monopoly power among multinational corporations. The effects of international economic activities must be addressed to assure the future well-being of the country. The accumulated debt burden of less-developed countries is a continuing drag on the world economy and should be eased by banks reducing interest rates and partially forgiving principal owed.

Adopted by the AFL-CIO Convention
in Miami, Florida
October, 1987

Employment and Training

Changes in the structure of the American economy increase the need for worker training and education and for jobs at the end of training. Technology is eliminating many jobs, changing other jobs, creating new jobs and new occupations. Rising trade deficits increase pressure to adopt new technology and upgrade the skills and the productivity of American workers. Persistent high unemployment challenges the nation to expand job creation faster than labor force growth.

To meet the nation's employment and training needs, the AFL-CIO is calling for sustained action on a number of fronts:

Full Employment: National economic policies—fiscal, monetary, trade, infrastructure, training and labor market policies—must be aimed at full employment, in line with the mandate of the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act of 1978.

Community service, community facilities, and infrastructure programs funded by local, state, and federal governments can make significant contributions to full employment policy in addition to their important economic and social contributions.

If private and public sector employment is not sufficient to provide jobs to all those who want to work, the federal government must be the employer of last resort.

Plant Closings: To protect workers and communities adversely affected by plant closings and mass layoffs, Congress must enact effective plant closing legislation, including strong advance notice requirements and worker adjustment assistance programs. Action is needed also to stop tax incentives for plant closings, protect workers' health and pension rights, assure union successorship and provide other protections and help for workers and communities hit by plant closings and mass layoffs.

The best possible plant closing provision must be adopted. At minimum, the Senate provision in the Omnibus Trade Act should be enacted. The measure requires employers in plants with 100 or more employees to provide 60 days notification of a plant closing or mass layoff. This measure represents a modest but important beginning step toward more comprehensive measures designed to provide both early notification and consultation.

Economic conversion planning is a rational and responsible effort to deal with plant closings and mass layoffs in defense plants and military bases and other government facilities. Legislation is needed to require development of standby economic conversion plans for defense-related plants and other government facilities.

Training: All workers must have opportunities for training and education to get jobs, to keep jobs, and to get better jobs. Human resource and productivity improvement must be achieved through better education, basic skills remediation, training, retraining, upgrading, and opportunities for upward mobility for all workers, both employed and unemployed.

Trade unions have important responsibilities for supporting, protecting, and promoting training and education programs for their members and for potential members. Employers and local, state and federal government agencies also have basic responsibilities for supporting, protecting and promoting training and education opportunities for working people. Adequate funding with more federal support for these programs is essential.

Private and public sector cooperation in designing and implementing training programs is desirable and necessary, and labor organizations must have an equal voice with business in such cooperation. Unions must have an opportunity to review and comment on all training programs before decisions are made on which projects will be funded.

Apprenticeship with its combination of on-the-job training and formal instruction must be preserved and strengthened and extended to new developing occupations.

Trade Adjustment Assistance and other effective national training and assistance programs, including Job Corps and other successful employment and training and worker assistance programs, should be retained and strengthened to help prepare displaced workers and young people for jobs.

Training allowances and income support should be available for workers in training programs.

Labor Market Institutions: Efficient labor market institutions can improve the matching of workers and jobs. In this process, labor unions have an important role that must be maintained and expanded.

The U.S. Employment Service system must become the recognized, accepted, adequately financed source of free, employment-related services for all workers who need jobs and for all employers who need workers.

We reaffirm our long-standing commitment to the goal of federalizing the employment services to meet the nation's need for a truly national labor exchange operating across state and regional boundaries. We oppose proposals to "devolve" or defederalize the funding of the costs of administering unemployment insurance and jobs service programs. Such proposals would lead to the destruction of the present federal state system and drastically reduce services to workers and employers.

We oppose defederalization of the USES as proposed by the Reagan Administration, which would destroy the present federal-state system and drastically reduce services to workers and employers.

The Job Training Partnership Act of 1982 with its business-dominated structure, its lack of income support during training, and its inadequate funding does not meet the nation's employment and training needs. Labor organizations, however, have a responsibility to make this faulty system serve workers' needs as well as possible until the JTPA-Private Industry Council system can be improved or replaced. Labor representation on the PICs should be equal to business representation.

Day care opportunities for children of working parents must be available. Federal action and support are necessary. Progress can often be achieved through collective bargaining.

Anti-discrimination programs, equal employment opportunity and affirmative action programs are necessary and should be vigorously enforced to help black, Hispanic, women, older workers and others who need these protections.

The AFL-CIO calls for action in all these areas to increase employment and training opportunities for America's working people.

Representative HAWKINS. Thank you, Mr. Oswald. I think you ended pretty much on a theme that some of us had dreamed of when Senator Humphrey and I collaborated on the Full Employment Act. We had discussions throughout and hearings on various subjects such as education, training, health problems, industrialization, and the various aspects of the economy.

Sometimes, we wonder who it is that put these things together. That was our essential thought in the Full Employment Act, that we would have some type of coordination, a clear-cut economic policy.

What we seem to have developed today, however, is the House goes one way, the Senate another, and the President a third direction.

Now, whether or not we can continue to do that in a global situation and maintain any type of stability, I think is very remote, very doubtful. I don't know where we began to correct that situation.

We thought that the Council of Economic Advisers would be somewhat of a traffic cop and would try to get the management of the economy into much better shape. Counselors of economic advisers have continuously eulogized whatever administration was in power. And that hasn't really worked out.

I do appreciate the fact that we've heard various solutions and some specific recommendations. I think that's been a very rewarding thing for having conducted this series of hearings. I think, Ms. Ozawa, you did stress the idea of human capital development, which certainly is as important as anything. I think it's just as important as any other issue before us.

But we go through the budget process and human capital development has a very low priority, it seems, in connection with that. I don't know what structure you would build or have for the recommendations which you have listed under the need for a new approach.

Have you any suggestions as to who is going to take the initative to develop the policies that you so well illustrated?

Ms. OZAWA. Excuse me, sir. The question of who is going to take the initiative is really in the hands of political leaders here. My mission is to inform you as to why this nation is losing. And I can tell you what Japan is doing in human capital development of children in addition to the school system, which is quite known as almost perfect.

In addition to that, they have quite an elaborate sports system to nurture the children over there.

Can I have 1 minute to give you a roster of the programs that they have over there?

One, they have prenatal, postnatal care. This is designed to assist all mothers and their infants to obtain adequate and nutritional services.

Two, health checkups. Medical services and consultation services until the child enters primary school. As a matter of fact, the mother is given an official notebook to keep all the records, medical and so forth, and that's mandated by the law.

Three, day care provided by the company.

Four, after school day care for school-aged children. This is done at the school site, and I think that's excellent.

Five, cultural and recreational programs at the community center after school-time hours.

Then they give a loan for high school education. Over there, high school education is not compulsory. Only the people who choose to go.

But, the completion rate of the high school education there is higher than over here. And so for those children who are poor, they are given a low-interest loan for high school education and then a low-cost loan for college education.

And then they have children's allowances. And then they have a roster, a very positive program for female-headed families and their children.

Let me briefly say there are about four programs there. First, cash payments for female heads of families for raising children. And this is not welfare at all.

Second, they have a regulation of care facilities for female-headed families where they can go almost at no cost with the support services so that women can gradually get into the labor market after divorce.

Third, they have a low-interest loan for female heads of household. This is designed to enable such women to pursue further education or start a new business. And the fourth one is preferential treatment of female heads of household in granting permits to sell cigarettes produced through government monopolies over there.

The whole thrust of it is not to treat those children, whether they are born to a poor family or not, not as an underclass, but to assist them into the mainstream and continue to help the children with their educational pursuits.

So those things are there and I'm afraid that, again, in human capital development, we are getting behind in this country.

Representative HAWKINS. Certainly, we are. I think that's a very impressive list that you gave us on the Japanese experience.

They also, obviously, have a policy of full employment written into their Constitution, and they live up to it.

Ms. OZAWA. Yes.

Representative HAWKINS. We express political support of full employment, and then we don't live up to it.

If I were to submit as chairman of another committee, we have submitted not all of those programs, but we have certainly submitted enough to have some experience in what is the reaction.

Prenatal care, we have Headstart, which serves only about 18 percent of the children in Headstart.

We have compensatory education followthrough. These programs may be reaching 40 percent of the children who need them.

We encourage, by exhortation of political speeches, young people to go to college. But then we've cut back on such things as student aid in order to facilitate their going to college.

What I'm indicating is that we know a few of the programs that work. We've seen them work not only in Japan but in Western Europe and many of the other countries. If I were to submit that list or even one-tenth of that list to the Congress today, there would be a human cry about breaking the bank, that we can't do it because we've got to balance the budget.

We have to recognize that there has to be some priority. We don't seem to be giving the priority to education and training because we keep cutting back.

Ms. **Ozawa**. I think that your goal of full employment is closely tied with human capital development and a growing economy.

In Japan, they have full employment because of its capability to educate children well. That means they are investing and somehow they are not spending money for defense. And that's perhaps their economic advantage.

But you've got to have a well-educated people. You don't really need full-employment legislation as such. As I recall, when I was in Japan 2 years ago, for each high school graduate, three jobs are waiting. And in that kind of situation, they don't need a lot of money for full employment. It's there naturally.

So I guess your willingness to invest in children is closely tied to the full employment which naturally occurs later. You won't have to come up with the money.

Representative **Hawkins**. Education pays and full employment does, too. But apparently we haven't been so smart in acknowledging the contribution as a nation that education is not an expenditure but that it's actually a wise investment.

We are trying to reach that point and perhaps some day we will. But, currently, we seem not to be so inclined to acknowledge that spending sometimes is wiser than cutting the budget.

But I think that your testimony is certainly highlighting what would happen if we changed that policy.

Mr. Packer, you gave us a list of some specific examples of programs that have worked and proved to be cost effective. And certainly dependable.

I'm wondering, however, how do we emulate those programs. Who primarily initiated the programs and has been responsible for them?

And how can we in some way provide the mechanism for identifying such programs and emulating them?

Should it be the Department of Labor?

Should it be the Department of Education?

What specific responsibility can be actually identified with some entity and could, in effect, multiply such programs rather than let's say, on a random basis allowing them to operate without some coordination.

Mr. **Packer**. I think there is much that could be done even to the current JTPA legislation. While we talk about investment that works, the JTPA system has a day-to-day or year-by-year attitude that almost precludes investment. Almost all of the technology-based innovations in the JTPA system have come from moneys put aside. And this was from the special demonstration project; the Ford Foundation has put money in. Eight percent money has occasionally been used, but there's no way to look over the 5-year horizon in the JTPA system.

I don't believe that there is a way for a company to enter into a 5-year agreement, for example, in a partnership with JTPA which always acts as if this whole system only has a 1- or 2-year lease on life before they go out of business.

It's interesting to me that, in a trade bill, the $950 million that's provided for services doesn't include, for example, a research component of appropriate size, so you can figure out how best to use the dollars we have.

So I think there needs to be a shift in JTPA toward an investment concern, so that people can think over, if not out, to the year 2000, at least halfway out to the year 2000, instead of only to the next fiscal year.

I think there are many ways that could be done, Mr. Chairman. If your staff were interested, I'd be most eager to work with them to think about some very concrete ideas.

Representative HAWKINS. We'll have the staff contact you and followthrough.

The final action of this session of the Joint Economic Committee will draft a report which will make specific recommendations. So what is being said today and has been said during these hearings would eventually go into a final report. So this is not the end of the road.

As a matter of fact, I hope it's really the beginning of some change in the policy and some recommendations that can be specific, based on the actual information that we've been able to obtain.

Mr. Hilty, you had mentioned something about—I thought you had a rather gloomy assessment of the automobile industry. I hate to have in the record what seems to be somewhat a future of doom.

Is there any way we can assist in speeding up research and development in the industry and deal with some of the specific problems?

You mentioned several, including health care, for example, that have acted really as the disincentive for the assumption of certain responsibilities in the industry for employment and training.

What is it that we can do to save the manufacturing from its decline? Is there anything specific that you would mention?

Mr. HILTY. Yes. There are many fronts to work on. We find that, in Europe, for example, and in Japan, where they have very viable auto industries, companies are less hestitant to work together on research and development. In fact, the Governments encourage working together to meet common goals and needs.

In this country, we seem to be more gun shy about this. I think probably because of antitrust implications. As I mentioned, I think, without spending money, some government activity to try to get labor and business and government together and look for ways that will not offend the antitrust laws of this country, I think there's a lot of room there, that we can do without spending a lot of money.

Health care cost is a very sticky problem. The major cost of doing business in our industry, the biggest checks we write are to the health care companies. We are trying ways to cut the costs and it's getting close to hurting the employees' health care benefits.

Probably, in the litigious society we've got, this may be one of the bad guys in the health care cost area.

Maybe some kind of cap on malpractice awards would help. We think that hospitals and physicians do charge large fees because of the high insurance premiums they have to pay. That's probably one area that could be looked at.

I express your frustration, too, at the Council of Economic Advisers. I would commend the Joint Economic Committee. It has a good reputation. It has a reputation of being neutral.

Perhaps they could expand on this reputation and maybe take more of a shadow Economic Council posture. Similarly, the Congressional Budget Office has an equally good reputation as a neutral organization and they have taken an active role. That could be an area to expand on because we are concerned about the wide swings in business conditions and the predictability of business conditions.

We feel that most companies now are operating with contingency plans that call for high risks to business positions in the United States because of these wide swings.

So this could be an area that the Joint Economic Committee could foster.

Representative HAWKINS. That was an excellent suggestion. I'm confident that my colleagues on the Joint Economic Committee will take very seriously that idea.

I think the role of the Joint Economic Committee can be strengthened. I think its reputation, which is extremely good, can even be improved. It's a question of recognizing it within the congressional structure. We can move ahead and take over many more responsibilities.

And I think that's an excellent suggestion.

Mr. Oswald, Rudy, would you like to sum up the morning's session in some way with your analytical mind, looking to the future, and give us some hope so that we don't leave on a gloomy tone?

Mr. OSWALD. Well, I think Mr. Hilty has made a very good suggestion in terms of a more pronounced role for the Joint Economic Committee, where the committee would bring to the attention of the Nation much more of the issues that the Nation faces in terms of employment, training and child care, and the concern with children.

I think the Committee on Aging has brought appropriate attention to the concerns of the elderly in our society. And I think they are very real. But I think it's time to readdress, to look again at the concerns of the children, the children of tomorrow and the young people having such leadership as the chairman of the Joint Economic Committee, and believe that they can take up the slack that we've talked about in terms of economic advisers who have not really given the attention or the sort of followthrough that we thought would be required under the Humphrey-Hawkins Act of a decade ago.

And the those principles are still very real. The world has also moved on and there are new policies and programs that are needed to be integrated to assure that we will have both the jobs, the skilled workers, the school system to continue to provide the basic training; but also the retraining which more and more workers will need in the future, and the jobs they'll all be looking for.

Thank you, Mr. Chairman.

Representative HAWKINS. Well, thank you, It's most appropriate at this point to have with us the chairman of the Joint Economic Committee.

Mr. Hilty, Senator Sarbanes, has just made a specific recommendation among others made this morning in this concluding session of this series of hearings.

His recommendation was that he felt that the Joint Economic Committee could occupy a much more pivotal role in congressional affairs and in better management of the economy, and that he felt among all the entities that were mentioned in the congressional process that the Joint Economic Committee has enjoyed a good reputation.

And he feels that more reliance on the Joint Economic Committee, by the committees of Congress and by other parties of the Federal Government would be to the benefit of the economy and the country.

So I am very pleased at this point to yield to the chairman of the Joint Economic Committee for such expressions as he may wish to make.

Thank you.

Senator **Sarbanes**. Thank you very much, Mr. Chairman. I'll be very brief. And I apologize to the witnesses that I wasn't able to be here to hear their testimony. I'll certainly follow it closely in the record.

But, as both you and they can appreciate, these are busy times in the Congress and there are a number of matters on the Senate side that have been commanding my attention. I had wanted very much to be present at these hearings, though, because I think Chairman Hawkins has made a major contribution by undertaking this inquiry into "Employment in the Year 2000: A Candid Look at Our Future."

As he has often done, Chairman Hawkins has rendered a distinguished service by planning and holding this series of hearings, by taking a close look at our current policies and our future challenges with respect to our work force.

These hearings help to remind us that the present and the future are not really separable categories at all, but that they are closely woven together.

The year 2000 after all is barely a decade away. It's not as though we're talking about the far distant future.

In the statement when he launched the hearings, Chairman Hawkins indicated that our economic future depends on our ability to educate and train workers to successfully compete in the global marketplace in the year 2000 and beyond.

I think that's very clear. The relationship between our people and our economy is like a two-way street. Poor economic performance, even mediocre economic performance in the highly competitive international environment in which we now live, means a lower standard of living for our people. But if our people are ill-educated and ill-trained, they will be unable to work at the high levels of competence which today's economy demands.

So their poor performance as workers will mean poor economic performance and, again, a lower standard of living. So I think the focus of these hearings, that the best investment we can make now to ensure a more prosperous and equitable America in the next century is an investment in our people, is absolutely on target.

These hearings have taken a careful look at that relationship. The subcommittee has received important testimony from nearly two dozen thoughtful and experienced witnesses drawn from both the public and the private sector. The subcommittee's work is a significant contribution to the work of the Joint Economic Committee, which is engaged in hearings trying to identify areas where public commitment constitutes a prudent investment in the Nation's future economic strength.

There has grown a tendency in recent years to regard all government expenditures as "spending" without a recognition that much of it, carefully and prudently done, represents a wise investment in the future economic strength of the Nation and that, in fact, the failure to undertake such investments will not strengthen the economy but will weaken it.

Every day you can pick up the paper. The deterioration of the Nation's physical infrastructure; our lagging behind in civilian research and development; our slippage in a number of important health indicators relating to the health of our population; and above all, of course, the questions involving education and training and retraining.

In the last analysis, no investment is more fundamental than that in our human resources. I simply wanted to be sure that I was able to get over to the hearings to express my appreciation to Chairman Hawkins for his major contributions to this effort, and I express my appreciation to the panel for their contribution. Thank you, Mr. Chairman.

Representative **Hawkins**. Thank you, and again, I wish to thank the witnesses this morning for their contribution and finally, to say to the chairman of the Joint Economic Committee that I have appreciated his support of the subcommittee and the fact that he made resources available to the Chair of the subcommittee to conduct these hearings, for which we are deeply thankful.

Again, thank you, ladies and gentlemen.

That concludes the hearing.

[Whereupon, at 11:25 a.m., the subcommittee adjourned, subject to the call of the Chair.]

[Mr. William R. Harvey, president, Hampton University, Hampton, VA, was invited to participate in this hearing today, but was unable to do so. His written testimony follows:]

Testimony of Dr. William R. Harvey
President of Hampton University
Hampton, Virginia

To the Subcommittee on Investment, Jobs, and
Prices of the Joint Economic Committee

Hearing on "Employment in the Year 2000:
A Candid Look at Our Future."

Tuesday, April 19, 1988
9:30 a.m.
2175 Rayburn House Office Building
Washington, D. C.

It is an honor and pleasure for me to address this committee's hearing on the future of employment in our nation. I share the committee's concern for examining the dynamics which impact on our ability to prepare a competent and skilled work force for the challenges--technological and human--of the 21st Century. These challenges have grave dimensions which must be effectively confronted now if our employment future is to be secured. I would like to direct my remarks to four areas of concern: current and recent education, employment and training policy; curricula required to improve the skills level of our nation's high school and college graduates; the federal initiatives and partnerships needed to enhance minority student achievement; and the need for investing in education and training despite protracted fiscal restraint.

Current and Recent Education, Employment and Training Policy

At the outset, it is necessary to acknowledge that the chief cause of poverty is unemployment and underemployment. Today, many thoughtful Americans remain puzzled as to why poverty has expanded rather than been alleviated in many sectors of our society. All would agree, though, that the causes for poverty are varied and complex.

Over the last two decades, the economy of our nation has undergone substantial structural transformation. Many of our industries have shifted from goods-production to service-production. The labor market has become increasingly polarized into low-wage and high-wage sectors. We have witnessed tremendous technological innovations. More and more manufacturing industries have relocated out of the central cities. Periodic recessions, accompanied by variable demands for labor, have become a fact of economic life. Intersecting with these economic developments have been significant demographic changes. These include: population movements responding to economic changes; a rapid growth of minority populations; an increase of women and minorities (too many of whom are untrained and improperly educated) in the labor force; and the extraordinary rise of inner city social dislocations.

In this milieu, two divergent schools of thought about poverty among the able-bodied poor of working age, ways of thinking upon which government policy and programs have been based, seem to have prevailed. The conservative analysis, perhaps epitomized in Charles Murray's Losing Ground (1984), holds that governmental assistance programs which were launched during the War on Poverty of the 1960's have encouraged many of the poor to remain poor and should be eliminated for able-bodied workers. Anti-poverty programs have, in short, unwittingly undermined the work ethic. By contrast, the liberal viewpoint, advanced by Michael Harrington in The New American Poverty (1984), contends that more government aid and employment generation are needed to combat the new poverty produced by structural changes in the national economy which have made it much more difficult to obtain and keep decent-paying jobs with prospects for advancement. The key in this analysis is the nation's economic health.

Mr. Chairman, in my judgment, both of these views contain undeniable elements of truth that are useful in planning our nation's employment future. To be sure, some of the American public has been frustrated and upset with soaring costs of government programs and growing poverty. Some efforts at combatting poverty have been misguided. There have been too many makeshift, busy-work jobs which have been dispensed without any long-term commitment or any sense of investment for the recipients these measures have not developed in employees the work ethic or assured the continued marketability of these workers. In such instances, the correlation between the level of education and the degree of social dysfunctioning is clearly illustrated.

At the same time, recognizing the need for federal governmental intervention as a response to the problems resulting from a fluctuating national economy has some real merit. The record will show, though, that neither major theoretical position alone provides us with enough to base education, training and employment policy on producing labor force skills and competencies through the year 2000.

Any long-term strategy must, in my view, correct the flaws in America's economic organization. Our success in this task will depend upon careful and more concerted empirical research which will allow us to study and comprehend the economic transformations which have occurred since the 1960's. I argue that this research will also serve as a basis for more balanced public debate around economic problems and it is the core out of which effective policy is generated as the guide for more systematic treatment of economic problems.

In the short term, there are, of course, some programmatic approaches which can address critical issues of employment education and training. It is to these matters that I wish to focus the remainder of my remarks.

Curricula Required to Improve the Skills Levels of Our Nation's High School and College Graduates

As I am sure the members of this committee are aware, the reexamination of the role of schools and of education has been a recent national preoccupation. Many Americans from every sector of our national life have been deeply concerned about the quality of American education. At the center of this national introspection has been a far-reaching discussion about the role of the curriculum in improving skills to achieve desired educational outcomes.

The bottom line for addressing problems of unemployment and underemployment is effective investment in education. We need to continue to develop quality curricula at all levels which lead to marketable skills. The most basic of these marketable skills is literacy. Beyond literacy, however, I concur with those who promote a core curriculum which represents the minimum--and I emphasize minimum--knowledge and skills which an educated American should possess for gainful employment, the exercise of social and civic responsibility and personal satisfaction. This curriculum at its best should be both humanistic and technological in content. At the secondary school level the recommendation set forth by the National Commission on Excellence in Education (NCEE) in 1983 should serve as a baseline for reform. All students seeking a diploma, the NCEE recommends, should be required to lay the foundation in Five New Basics by taking the following curriculum during their four years of high school: four years of English, three years of mathematics; three years of science; three years of social studies; and one-half year of computer science. For the college-bound, two years of foreign language are strongly recommended. I agree also with Ernest Boyer who proposes, in High School, "a more structured core of common learning which goes beyond the basic subjects to embrace foreign language, the arts, civics, non-Western studies, technology, the meaning of work and the importance of health."

At the collegiate level students should take a more detailed and rigorous version of the high school core curriculum prior to concentrating on specialized courses of study for a major in one of the disciplines. All schools, colleges and universities should adopt more rigorous and measurable standards, set higher expectations of students and demand greater accountabilities of faculty.

As the debate about education continues and the issues become even more crystallized, it is my hope that we will reach higher and deeper levels of understanding and a clearer consensus about the purpose of our schools. I also hope that a national vision for American education and a stronger commitment to public education in the form of federal programs will emerge.

Let me now project a more expanded role the federal government might play in education reform as it could impact on employment.

Federal Initiatives and Partnerships Needed to Enhance Minority Student Achievement

While the shortcomings of our nation's education system affect and are evident in all corners of our society, it is in our minority populations that these shortcomings are most evident. The Federal government and the American people at-large have a clear and certain stake in the education of minority students. While I agree that universal programs of reform in our approaches to the education, training and employment of a skilled work force can and should be beneficial to all Americans, certain group-specific strategies--for the disadvantaged, the handicapped, and for minorities--should indeed be moved closer to the forefront of our national agenda. To that end, I wish to make the following recommendations.

First, as William P. O'Hare has indicated in Poverty in America: Trends and New Patterns, "there is quite clear evidence that many programs to enhance the lives of the poor reduce government expenditures in the long run, but so far little effort has been made to expand them." Headstart is one such program. It provides disadvantaged youngsters (many of whom are minorities) with compensatory preschool training. Headstart has been successful in reducing high school dropouts, teenage pregnancy, and juvenile delinquency, all of which cost taxpayers money. Yet, this program remains underfinanced. I recommend that Headstart be expanded so that minority youngsters can take fuller advantage of the elementary school experience. This expansion should occur, as others have advocated, in the context of redefining compensatory education to include not just remediation, but acceleration.

Secondly, minority students are dropping out of school in record numbers. Thus, they are not having access to or are not taking advantage of educational opportunities. This trend, left unattended to, will have, as it does now, profound ramifications for our work force and for other dimensions of our national life. I propose that the Federal government initiate a vigorous matching program with business and industry to support remedial efforts in reading, writing, science, mathematics, reasoning, speaking and listening skills. To assure that such an effort is legitimate in cultivating employment skills in young people and in introducing to and reinforcing in them the work ethic, employment should be guaranteed to those who successfully complete this training. This would serve as an alternative to the employment welfare and dead-end training approaches which stifle rather than facilitate productivity in our young adults.

Thirdly, more is needed to buttress the schools' responsibility to produce useful workers and citizens. I was alarmed when I recently learned that California Assemblyman Willie Brown declared that, on average, the high schools of his state produce only five Black students who go on to college. I share the spirit of his response to this problem by recommending that the Federal government provide incremental funding (to be used for research, curriculum enrichment, teacher development, compensatory programs, etc.) as added incentives to school districts which demonstrate the capacity to adequately prepare more minority students for entrance to a college or university.

Fourthly, as we continue to realize the impact of technology on all our lives, the role of science and mathematics education becomes all the more pivotal. It is projected that by the year 2020, forty percent of the American populace will be people who we currently classify as "minorities." Where will the best scientific and mathematical minds of this subpopulation be trained? Where are the well-equipped spawning grounds of scientific inquiry that will justly welcome them and challenge them to greater intellectual heights? I am confident that some of the historically Black colleges are and can be those training grounds of academic excellence. Yet, we are not so quixotic as to imagine that this possibility can become a reality without an adequate infusion of funds from a variety of sources, prominent among them the Federal government.

The objective of properly educating the next generation of scientists, a process in which minority students should be more fairly represented, could be achieved with the passage of legislation that would advance the nation's interest in high technology education. As Kathlyn Gay, author of Crisis in Education (1986), has suggested, a kind of high technology Morrill Act (paralleling the legislation which created land grant colleges in 1862) would enable industry, the states and the Federal government to form partnerships in advancing the nation's economy and other interests through refocused attention to producing more minority engineers and scientists.

Investing in Education and Training in the Face of Fiscal Restraints

In closing, Mr. Chairman, I wish to underscore the urgency of preparing a more competent and skilled work force for our nation through reinvigorated approaches to education and training. The challenges to assuring a strong and viable work force are national in scope and significance. These challenges, of course, demand the application of resources in the face of competing challenges to our national welfare and in the face of scarcity. However, the challenges in the arena of our nation's employment deserve nothing less than a national response. The federal presence in educating and training our work force has been a longstanding, important and useful one. This is a time, in my judgment, for a serious re-examination of federal responsibility for shaping our nation's employment future--I commend this committee for doing so in these hearings--and for committing our nation's full energies to insuring a better prepared and more productive work force. Done effectively, this will strengthen America internally and it will strengthen her position in an ever-increasingly competitive world economy.

Mr. Chairman, this concludes my prepared remarks. I would be pleased to respond to any questions from members of the committee.

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